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Strong Year for Online Retailing

By Adrienne Davis

The expansion of the online retail market is evident again with the release of figures for 2005. UK

consumers bought £8.2bn (\$14.3bn) of goods from websites last year – a 28.9% increase in internet marketing over 2004, according to market analysts Verdict. In cash terms that means shoppers spent an extra £1.8bn online in 2005, increasing opportunities for niche websites to meet the new demand.

Verdict says the figures show internet shopping is closing in on the £9.4bn spent in department stores in 2005. Its retail analyst, Nick Gladding, said online shopping was now a formidable competitor to the High Street as it allowed people to do the work from home, searching the web for the best value and service.

A quarter of all UK buyers now shop on the internet, for goods and services, as the online shopping community grew by 25.5% to 14.6 million people between 2004 and 2005. The surge in "e-retail" means online shopping is now winning its biggest-ever slice of the UK retail market. Overall UK retail sales grew by just 1.5% in 2005 – the slowest rate since the early 1960s.

In its e-market 2006 report Verdict says internet marketing enables customers to shop at times to suit them. With many more people working from home, the pattern of high street shopping has changed. One of the biggest growth sectors in online shopping is among the over-50s, with numbers almost doubling to 2.7 million users between 2004 and 2005. The amount spent by this sector rose 46.7% to an average £458 per head.

The report comes a month after a report from e-commerce trade body IMRG said online shopping among UK consumers soared almost 50% in the 10 weeks before Christmas. Shoppers spent £4.98bn online during the period, compared with £3.3bn for the same time a year earlier.

Online shoppers need great customer service as they can easily click on to another retailer who serves them better. To keep these clients, website owners must use the right advertising media and launch regular email marketing campaigns. Online marketers can get unbiased advice from dedicated niche websites. The top home based businesses are giving online shoppers what they need: building a relationship, giving excellent service and following up with their customers. Many offline businesses

face huge change to retain the modern consumer against this new competition.

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Online Retail Sales: Online Loyalty Equals Retail Gold

By Joseph Pratt

As an employee of an online advertising agency, ICMediaDirect.com, I've got a sweet vantage for observing the latest online retail numbers tumble in – and they're spectacular. Third Quarter online retail sales were up almost 27% from the same period last year, while these first 20 days of January were up 33% from the same period in 2005. This surge is neither cyclical nor an aberration, but indicative of the continuing and permanent shift of retail consumers to ecommerce instead.

Naturally this is great news for online advertisers and retailers. But it's important to remember that ecommerce has outgrown its infancy. The big players in online retail have established themselves and seem to know what they're doing. It is important for advertising agencies and marketers to understand the current success and mindset of online retailing. Keen insight will be critical in recognizing and pitching opportunity to advertisers in the upcoming year.

Okay, retailers know better than anyone how much money consumers are spending over the Internet. They are realizing profits in their respective fields. They also recognize a maturation process and that the net number of new e-commerce customers will tail off to non-growth levels. Some estimates predict this flat lining by 2010.

However, there is still important growth with maturity - and that growth is in the average amount of money spent per online customer. Instead of trying to grab new customers, retailers are bending over backwards to retain existing customers. This is the value play. Existing customers are being cultivated. The retailer, be it Nordstrom's or Wal-Mart, wants the customer feeling at home and free of anxiety within their website.

Instead of trying to be all things to all people online, online retailing efforts of late are geared towards complementing their "brick and mortar" locations. By complement, I mean soaking up as much nitty-gritty merchandising as possible - and letting store locations double as entertainment or advertising hubs. In order to do this, though, the website must be a comfortable zone for shoppers. Target is a fine example of a company whose mission is to build customer loyalty on and offline. Their online site regularly offers "insider" savings not mentioned in print. I only know because their website announces this. The design here is to build warm online association with the customer and the brand's website.

There is an overarching value being placed on the online customer today because online loyalty equals

Strong Year for Online Retailing

retail gold. Profit margins of today remain important as ever, but a future where today's loyalty means increased spending tomorrow is truly precious.

This bedrock is being built today. Amazon.com had a huge holiday season – they cited particularly strong sales in jewelry and cosmetics. Jewelry is going through a surge of online sales growth, up 29% over last year. This is another example of a fundamental shift; this is jewelry - not a fad, but a reflection of consumer trust in the Internet.

Moreover, of the top 50 online advertisers measured in media value (according to TNS Media Intelligence) none are expressly jewelers. Does this spell opportunity for an online jeweler? Undoubtedly. And we'll see huge online advertising efforts here in upcoming years, if not months.

Also of note: 15 of the top 50 online advertisers, in terms of media space purchased, are financial companies. Another dozen retail nothing. And there's only one travel company, Expedia.com, in that

top 50. This is pretty interesting because travel is the largest sector of retail business done online.

Of course, most advertising money is going into paid search advertising. However, the grumbling is growing amongst advertisers within the PPC world. With such developments like Google's Variable Term-Pricing (or, the death of free-market PPC on Google) and big business customers (like eBay) flooding the format, PPC has become a much more expensive proposition. Advertisers will be looking once again at the more traditional online advertising means. We will be ready.

And what will prospective advertisers see when venturing off the paid search path? They'll see Classmates.com and the University of Phoenix among the very top spenders in pop-ups and banners. Well, I've got news - these companies, whose advertising means can't compete with the bigger retailers, haven't been throwing their money away. It works.

And this, folks, is an advertising void; call it an arbitrage play within advertising. E-retail is going through the roof and the advertising dollars haven't been following suit into all the effective media channels.

Retailers are going to merge their online advertising formats. Some ads here, some ads there – all bases must be covered. When online customer spending is up 27%, advertisers shouldn't concentrate all efforts into a single format. I can't speak for other agencies, but ICMediaDirect.com is feeling an up tick in the traditional formats of online advertising.

Online retailing has evolved. The Internet has gone from a cheap place of doing business to a venue where a premium is placed on customers. A seller has to do more than offer an agreeable selection. Their job is to create a comfortable and trusting interactive space, and in doing so, they'll need to sell themselves through advertising online.

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