



New Media

RIC KOLENDA



1998 holiday shopping: e-commerce comes of age

If anyone wondered whether electronic commerce has really arrived, a look at the numbers for holiday online shopping should convince any doubters. Early numbers vary widely, but overall estimates put online spending between \$2 billion and \$8.2 billion. America Online members alone spent \$1.2 billion shopping, and Amazon.com's \$250 million in fourth-quarter sales was triple that of the year before.

Local e-merchants also fared well. Preliminary fourth-quarter revenues for **CDnow Inc.** in Fort Washington exceeded \$20 million, up from \$7.9 million in the same period in 1997. Sales at **iQVC** in West Chester tripled from 1997 to more than \$50 million. **Electronics Boutique**, also in West Chester, redesigned its e-commerce site; it quickly became the chain's top-selling "store," outperforming any of its 700 bricks-and-mortar locations. The EBWorld site (www.ebworld.com), offering electronic games and software, did 10 to 15 times preseason estimates. It sold more than 4,000 Furbys at the suggested retail price of \$39.99, thanks to established distribution channels and an anti-price-gouging policy.

Though numbers vary widely among different surveys, several interesting facts emerged from this period:

- **The number of online shoppers increased dramatically.** A survey by Marketing Corp. of America showed that 25 million U.S. adults, or 12.5 percent, shopped online this holiday season. Nearly 60 percent of those spent nothing online in 1997, according to a Zona Research study.
- **Online shoppers are spending more.** Shoppers spent an average of more than \$600 in 1998, up from about \$200 in 1997 (Zona Research). *The Wall Street Journal* published at least three figures for total holiday online shopping: Infobeads, \$2 billion; Jupiter Communications, \$3.14 billion, and Marketing Corp. of America, \$8.2 billion. All dwarf the estimates of \$800 million to \$1.2 billion in 1997.
- **More women than men are shopping online.** Web researcher Media Metrix reported that nearly 60 percent of online shoppers were women, despite an online population that is roughly 50/50. The Zona study showed that although women spent less than men on average, spending by women more than tripled compared to 1997, while men's spending rose by 145 percent.
- **Philadelphia is moving to become an e-commerce player.** Philadelphia became the first major city to create a mayoral commission to promote e-commerce in the region. The new commission, led by Commerce Director Stephen Mullin and Eastern Technology Council CEO Rob McCord, was created just as Microsoft announced a major e-commerce initiative in Philadelphia, and Drexel University announced plans for an e-commerce center.
- **The not-so-good news** is online sales are still a drop in the bucket (around 2 to 3 percent of total holiday sales). Deep discounts and thin margins typical of the season made profits even more elusive for online sellers, and technical glitches and customer-service problems are causing a minor backlash among consumers.

To those creating the technology and interface for electronic commerce, this still means real money. When I started in the business almost five years ago, I had to beg and plead with my clients to actually sell products online. BrochureWare was the order of the day, and many an online merchant was scared away by weak responses to direct sales. Now, the number of television ads for retail Web

sites amazes me. With ads for sites such as StarTrek.com, Amazon.com and Outpost.com, I defy anyone to deny the temptation to turn off the boob tube long enough to jump online and shop. And as someone who avoids shopping malls between Halloween and New Years at all costs, I can honestly say I did all my shopping from the comfort of my keyboard. Apparently I wasn't alone.

New Media Notes

Analytical Graphics Inc. (www.stk.com), a Malvern developer of satellite-analysis software, teamed up with IBM and NORAD to track Santa's trip from the North Pole. NORAD has been tracking Santa's arrival since 1955, but it's only the second year that Analytical Graphics has done the Web site at www.noradsanta.com. The site received more than 50 million hits and 20 Internet awards, according to project manager Robert Hall. IBM joined the team in 1998 to lend its server horsepower.

Interactive Gaming & Communications Corp., a software developer in Plymouth Meeting, plans to expand its GambleNet site (www.gamblenet.com). GambleNet is a portal site for all kinds of online gambling and will include a search engine and shopping area. The site also added a free contest area, featuring the company's gambling software (www.playforfun.com). The site was redesigned by IGC subsidiary **Intersphere Communications Ltd.** (www.intersphere.com), developers of the Live Action Gaming Platform for online or land-based casino gaming.

i-site web design (www.i-sitewebdesign.com) of Old City, Philadelphia, recently held the second in a series of on-line moderated events for health-care professionals. Dermik Laboratories of Collegeville sponsored the invitation-only event, with questions fielded by a dermatologist. Specializing in Web sites and Internet consulting for health care, i-site is also developing an e-commerce site for Handbooks in Healthcare, the publisher of medical books.

Richard Kolenda is the chief operating officer of Precision Media Inc., a Plymouth Meeting company that specializes in streaming video via the Internet. He is also the founding president of the Philadelphia Area New Media Association, a division of the Eastern Technology Council. He can be reached at ric@kolenda.com.

[Articles](#) [Home](#)