

Retailers Sprucing Up Web Sites For The Holidays; More Goods, Lower Prices; Sellers tread water offline, so many pull out the stops to make big splash online

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Worried about low in-store traffic, retailers hope to cash in on the Web this holiday. Online and offline retailers are improving Web sites, adding products, beefing up staffs and slashing prices to try to claim a piece of what's expected to be another record online yuletide shopping season. Santa Claus has been kind to online retailers in past years, and 2002 looks to be the same. Online retail spending in the U.S. is expected to be \$16.8 billion in the fourth quarter, up 35% over the year-earlier quarter, says BizRate.com, a comparison-shopping service and researcher. A survey published by Consumer Reports magazine this month also says consumers will be doing more online shopping this year than last year. Market tracker Gartner Inc. expects worldwide online spending this holiday season of \$38.2 billion, up nearly 50% from a year ago. Online retailers are scrambling to serve customers during a shopping season that is as much as six days shorter than other years because of the quirk of the calendar. Thanksgiving falls late this year. Aggressive Promotions "I suspect retailers will be doing even more aggressive promotions this year than last year, and one of the most notable examples is free shipping," said Ken Cassar, an analyst for market tracker Jupiter Research. Buy.com Inc. started early. In June, the company began offering free shipping on most items except bulky products such as TV sets. It also began offering a 10% discount on the price of any book sold by rival Amazon.com Inc., the world's largest online retailer. The free shipping and discounts still apply. Price discounts and free shipping are ways to get an edge on rivals and encourage consumers to buy more in a rough economy, says Buy.com President Rob Price. "These are things you have to have in your arsenal," he said. Amazon beefed up its own store this month by adding an apparel section stocked with more than 400 clothing brands. It's selling thousands of shirts, pants, sweaters, shoes and other items from retailers such as Gap Inc., Foot Locker Inc. and Nordstrom Inc. Also, Amazon is handing out \$30 gift certificates for customers who spend \$50 or more in its apparel store. Buy.com plans to respond. Later this month, it plans to add a travel section, selling suitcases, carry-on bags and backpacks. It also will sell bags and cases for laptop computers, digital music players and portable digital videodisc players sold elsewhere on its site. "It makes sense to be in that space," Price said. Buying a diamond isn't easy for most consumers. But Blue Nile Inc. says changes to its site this year will make online shopping easier even for buyers of precious stones. This year, the online jeweler improved its site to let consumers select color, shape, clarity, karat, size and price in real time. Consumers click to make their selections. Before, they had to fill out questionnaires online to conduct a product search on the site. Faster Searches The upgrades let people find things faster than before. With sales expected to rise to \$70 million this year from \$48 million in 2001, the company had to make some improvements, says Mark Vadon, Blue Nile's chief executive. "Before we added that (real-time service) we didn't have the capacity to handle the increase in traffic that we've seen," he said. "The changes make it a better experience for customers." Boutique retailer the Neiman Marcus Group Inc. plans to upgrade the search service on its Web site for the first time since it began selling online three years ago. The firm will use search software from iPhrase Technologies Inc. to improve search results for customers. Neimanmarcus.com attracts 1.5 million unique visitors a month, up 50% from a year ago. That's why it's making the upgrade, says Michael Crotty, vice president of marketing for Neimanmarcus.com. "We were not delivering a great set of search results," he said. "We realized we needed to do a better job." Yahoo Inc., one of the most visited Web sites, has also toyed with its site in time for the shopping season. It's added a toy finder service to help parents find products faster. Toy Finder lets consumers search by item, brand name, price and age of the child. The toy finder service is an upgrade over a basic search, says Yahoo spokeswoman Stephanie Iwamasa. "This allows you to drill down faster," she said. Yahoo is tapping a new source for feedback: children. Yahoo polled more than 23,000 kids to compile a list of the 10 toys most desired this Christmas. The idea is to help parents with gift ideas, says Iwamasa. Some companies are still new to e-commerce. Choo Choo R Snacks Inc., a maker of beef jerky products, launched its first Web site in October. Choo Choo had sold products mostly through distributors. But the growing number of people shopping on the Web is too big to ignore, says Paul Squires, Choo Choo's chief financial officer. "It got to where we needed to have a place where people can shop online," he said. "We should have had a Web site up five years ago." But it's hard to gauge exactly what strategy retailers are using the most this year. A recent Jupiter survey of 47 retailers that sell through multiple avenues found that 64% were hiring more customer service staff to service their online operations vs. just 17% that were instead adding more online self-service features. But the latter tactic might be best, says Jupiter analyst David Daniels. Companies are better off making Web sites easier to use rather than forcing customers to make a phone call to solve a problem, says Daniels. If your call center

can't handle the volume, said Daniels, "customers are going to go somewhere else."