

# The Truth About Ecommerce and the Economy

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Despite economic uncertainty, ecommerce continues to grow at a rapid pace. Read this article to learn how the economic downturn is truly impacting the industry.



(<http://onlinebusiness.volusion.com/assets/economy.jpg>)

Politics aside, we can agree that the economy isn't in the most desirable state. Unemployment is at 8.1%, looming debt impacts all levels of government and many Americans are spending less. Because of this, some online business owners are quick to associate their troubles with the sluggish economy.

The problem with this theory? Ecommerce is hitting its stride, despite the downturn.

## Ecommerce continues to grow despite a slow economy

According to comScore

([http://www.comscore.com/Press\\_Events/Press\\_Releases/2012/8/comScore\\_Reports\\_43.2\\_Billion\\_Commerce\\_Spending](http://www.comscore.com/Press_Events/Press_Releases/2012/8/comScore_Reports_43.2_Billion_Commerce_Spending)), US ecommerce spending hit \$43.2 billion in Q2 2012, up 15% year over year. And as comScore chairman, Gian Fulgoni notes, *"While the second quarter's 15-percent growth rate couldn't quite match the especially high growth rate from the first quarter (17%), it was nevertheless **almost four times higher than the growth in overall consumer spending**, a sign of continued strength in the ecommerce channel."*

Even more, ecommerce sales are taking a bigger bite out of retail sales. The US Census reports ([http://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)) that in Q2 2012, ecommerce sales represented 5.1% of all retail sales, a 0.2% increase from the previous quarter. This growth is in line with the previous four quarters, as demonstrated below:

**Table 1. Estimated Quarterly U.S. Retail Sales: Total and E-commerce<sup>1</sup>**  
(Estimates are based on data from the Monthly Retail Trade Survey and administrative records.)

Quarter	Retail Sales (millions of dollars)		E-commerce as a Percent of Total	Percent Change From Prior Quarter		Percent Change From Same Quarter A Year Ago	
	Total	E-commerce		Total	E-commerce	Total	E-commerce
<b>Adjusted</b>							
2nd quarter 2012(p)	1,076,934	54,842	5.1	-0.4	3.3	4.3	15.3
1st quarter 2012(r)	1,081,347	53,091	4.9	1.5	2.9	6.4	15.3
4th quarter 2011	1,065,030	51,575	4.8	2.0	6.2	7.5	15.1
3rd quarter 2011	1,044,075	48,564	4.7	1.1	2.1	8.9	12.8
2nd quarter 2011(r)	1,032,271	47,575	4.6	1.5	3.3	8.4	15.7

Growth in ecommerce sales isn't new. In fact, based on comScore's data, online spending in 2011 hit \$161.5 billion, a 24% increase from 2008, the year of the financial collapse. Even when the Consumer Confidence Index (<http://www.tradingeconomics.com/united-states/consumer-confidence>) plunged to its all-time low of 25.30 in February 2009, ecommerce sales remained flat compared to the same period of the previous year. Clearly, ecommerce is doing something right.

But how does ecommerce continue to weather the economic storm?

## Ecommerce offers a unique proposition that shelters it from the economic climate

As Channel Intelligence CEO, Rob With, noted

(<http://www.forbes.com/sites/ciocentral/2011/10/31/why-e-commerce-will-weather-a-down-economy/>), *"What consumers really want in a difficult economy are options. Ecommerce satisfies that desire because shoppers have the opportunity to choose from an almost endless supply of products, brands, styles and price-points."*

This need for options makes sense – the less freedom consumers have with their money, the more choices they crave on how to spend it. This mentality fits perfectly with the internet, where millions of products are at consumers' fingertips.

Beyond options, shoppers want to find the best price, which is most easily found online. This explains why comparison shopping has grown in popularity, as showcased by increased traffic to top shopping engines (<http://www.cpcstrategy.com/blog/2012/08/the-top-ten-comparison-shopping-engines-compared-q2-2012/>) like Amazon Product Ads and Google Product Search. Shopping engines now influence approximately 50% of online shopping decisions, and this number is expected to rise as awareness of these platforms increase.

Not only are economically wary consumers looking for value, they're looking to minimize risk. To do so, shoppers are spending more time researching before purchase, particularly from unbiased parties and like-minded peers. This is why customer ratings and reviews are of such

high importance to the buying process – as eConsultancy reports, a high product rating will increase the likelihood of purchase for 55% of consumers.

In a nutshell, the inherent nature of ecommerce helps protect it from outside economic forces: because of the ability for shoppers to find low-priced, high quality items, the industry continues to grow.

## How the economy is really impacting ecommerce

Of course, no industry can be fully shielded from economic impact. But unlike retail, where growth has been hindered, ecommerce has seen a shift in **how** consumers shop online, and more importantly, how merchants have adjusted their retail strategies.

Here are some main areas where the economy has changed ecommerce:

1. **Comparison shopping:** As mentioned before, traffic comparison shopping engines is on the rise. On a higher level, consumers are looking across multiple websites to find the best deal. This puts an extra strain on online business owners to instantly entice shoppers to stay put. In other words, the sales pitch has shortened to immediacy, requiring merchants to offer big, shiny deals right off the bat.
2. **Shift in products purchased online:** While books, clothes and electronics continue to be the most popular types of products purchased online (<http://www.internetretailer.com/2012/01/24/books-clothes-and-electronics-are-most-shopped-categories>), other product types that have been typically specific to retail are now fair game for ecommerce. For example, The NPD Group reports ([https://www.npd.com/wps/portal/npd/us/news/pressreleases/pr\\_120913/](https://www.npd.com/wps/portal/npd/us/news/pressreleases/pr_120913/)) that ecommerce sales for back-to-school items such as binders, pens and organizers grew 12% during the same period from last year. Expect this shift to continue across other segments of consumer products.
3. **Offline research, online purchase:** For bigger-ticket items, such as jewelry and appliances, many consumers are hitting retail stores to make their purchase decision, and then hitting the web to make the purchase. Doing so allows shoppers to feel more confident in their choice while finding the best price, often because there's no sales tax online. Because of this trend (and the desire for governments to collect more tax revenues), there is an increased push for an internet sales tax (<http://onlinebusiness.volusion.com/articles/update-the-latest-on-the-internet-sales-tax/>) to even the playing field.
4. **Discount dependency:** Similar to offline channels, online shoppers are looking to save a buck, namely through the use of discounts. But unlike offline channels, discounts are much easier to find online, thanks in part to the proliferation of coupon sites. Even more, comScore reports that 42% of ecommerce transactions in Q2 2012 included free shipping, highlighting the growing trend of online merchants eating shipping costs to close a sale. Many consumers won't even make a purchase online without a discount, waiting to receive a special offer before even visiting an ecommerce site.

While it's easy to assume that the economic downturn is hindering growth across all industries, it's also easy to see that ecommerce has remained intact, and in fact, stronger than before. So, as an online merchant, instead of sitting back and waiting for things to get better, it's time to rethink business as usual.

Happy selling!

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