



E-COMMERCE:  
WHEN TO GET ON  
THE BANDWAGON



Rob Holland  
Agricultural Development Center  
Spring 2001

The Internet itself is borderless

However, the people accessing the Internet do reside in particular geographic locations.



Communications technology is space-adjusting technology . . . not only distance but time is affected<sup>1</sup>.

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<sup>1</sup> Access Minnesota Main Street.

Too many companies and websites assume that simply because they are online, people will find them.

Remember,  
it's called virtual reality!



The number of Internet users in the US & Canada is estimated at 92 million<sup>2</sup>.

Home = 72 million

Work = 46 million

School = 28 million

Alternate = 32 million



Large growth in “home uses” in recent years.

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<sup>2</sup> Internet Users by Location: U.S./Canada, Jeremy Lieb, Editor & Analyst, CommerceNet.

Internet demographics are beginning to mirror the general population<sup>3</sup>:

- ▶ becoming on average older
- ▶ increasingly female
- ▶ less affluent
- ▶ less highly educated

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<sup>3</sup> Shop.Org Research, State of Online Retailing 3.0

## Internet Shoppers Vary by Location

City/Metro Area	Millions of Shoppers	State	Millions of Shoppers
Los Angeles	3.43	California	8.46
New York City	2.64	New York	4.65
Washington DC	1.85	Pennsylvania	3.99
Atlanta	1.61	Texas	3.87
Chicago	1.57	Florida	2.91
Boston	1.51	Georgia	2.67
Seattle	1.42	Ohio	2.57

## New terms<sup>4</sup>:

- ▶ 1.8 order conversion
- ▶ 3.2 buyer conversion
- ▶ 65% of shopping carts abandoned prior to purchase
- ▶ fulfillment costs, out-the-door performance, on-time shipping

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<sup>4</sup> Shop.Org Research, State of Online Retailing 3.0

Online  
customer acquisition costs  
up from \$33.00 to \$38.00<sup>5</sup>

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<sup>5</sup> Shop.Org Research, State of Online Retailing 3.0

Shopping on the Internet is defined as using the Internet to find and compare product information online, regardless of whether or not the purchase is made.



## The top five<sup>6</sup> items shopped for online<sup>7</sup>:

Cars/Car parts = 18.2 million shoppers

Books = 12.6 million shoppers

Computers = 12.4 million shoppers

Clothing = 11.6 million shoppers

CDs/Videos = 11.4 million shoppers

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<sup>6</sup> 1999 U.S./Canada Internet Demographic Study, Jeremy Lieb, Editor & Analyst, CommerceNet.

<sup>7</sup> Results do vary for men and women.

## Top-Shopping<sup>8</sup> Categories<sup>9</sup>:

Books = 9.2 million shoppers

CD's/Videos = 7.2 million shoppers

Computers = 5.4 million shoppers

Clothing = 4.5 million shoppers

Software = 4.0 million shoppers

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<sup>8</sup> 1999 U.S./Canada Internet Demographic Study, Jeremy Lieb, Editor & Analyst, CommerceNet.

<sup>9</sup> Results do vary for men and women.

## Internet Population

- - - Year - - -

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<b>22 million</b>	<b>37.8 million</b>	<b>57.8 million</b>	<b>78.6 million</b>	<b>92.2 million</b>

Source: Spring 1999 CommerceNet/Nielsen Internet Demographic Survey.



“E-Commerce is more than Web Commerce . . .

It involves all types of communication technology, web, e-mail, bulletin boards, chat rooms and networks.”<sup>10</sup>

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<sup>10</sup> Access Minnesota Main Street.

“E-Commerce is more than selling stuff online, it involves the whole business cycle from production, procurement, distribution, sales, payment, fulfillment, restocking and marketing. It is about relationships with customers, employees, suppliers, distributors. It involves support services like banks, lawyers, accountants and government agencies.”<sup>11</sup>

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<sup>11</sup> Access Minnesota Main Street.

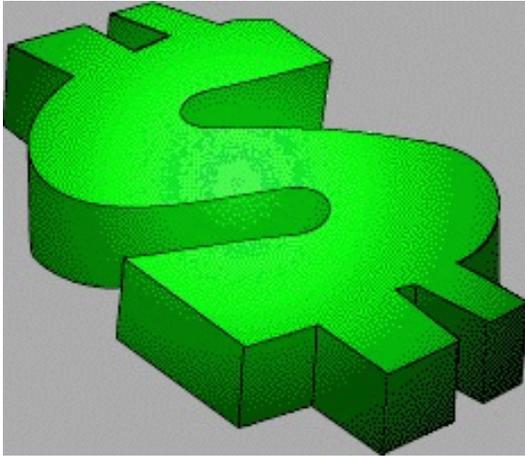
E-Commerce transactions have increased from  
\$12 million in 1996



to \$228 billion in 2001.<sup>12</sup>

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<sup>12</sup> Access Minnesota Main Street.



Estimates reveal that online revenues are approximately 0.5% of all retail sales.<sup>13</sup>

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<sup>13</sup> Access Minnesota Main Street.

★ Approximately 97% of large companies are connected online . . . only 21% of small businesses are online.

★ Only 11% of web purchases are estimated business-to-consumer with 89% business-to-business.





In 1997, two companies (Cisco and Dell) accounted for over 1/3 of the total reported Internet sales.<sup>14</sup>

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<sup>14</sup> Access Minnesota Main Street.

## The most popular web activities<sup>15</sup>:

- 1) Searching for information
- 2) Reading news & sports
- 3) Managing careers
- 4) Learning something new
- 5) Downloading software
- 6) Travel
- 7) Socializing
- 8) Making money
- 9) Playing games
- 10) Shopping online

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<sup>15</sup> Access Minnesota Main Street.

Approximately

20 million

of the Internet population  
buys products and services online.<sup>16</sup>

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<sup>16</sup> Access Minnesota Main Street.

## Growing e-commerce categories<sup>17</sup>:

- ▶ financial/insurance
- ▶ travel
- ▶ entertainment/sports
- ▶ groceries



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<sup>17</sup> Access Minnesota Main Street.

## Types of online shoppers<sup>18</sup>:

- ★ Information Seeker
- ★ Browser
- ★ Bargain Hunter
- ★ Directed shopper
- ★ Category shopper
- ★ Gift Giver
- ★ Gotta Have It

Shop  
Shop  
Shop

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<sup>18</sup> Access Minnesota Main Street.

# Preparing for E-Commerce<sup>19</sup>:

- ▶ Be prepared to radically change the way you do business
- ▶ Know that e-commerce can cost a little or a lot
- ▶ Recognize that online revenues do not always mean online profits
- ▶ Be patient--it takes time to establish and market an online presence
- ▶ Understand that your customers, employees, and suppliers will need to adopt new methods of doing business together
- ▶ Monitor the progress of e-commerce technological development and government regulation
- ▶ Keep in mind that e-commerce is more about e-business than e-tailing

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<sup>19</sup> Access Minnesota Main Street

The Internet should be a part of all retail businesses . . . not necessarily sales.

Web Site address must be printed everywhere.



## E-Commerce Imperatives . . . It must be:

- ▶ Fast
- ▶ Secure
- ▶ Hassle-Free
- ▶ Guaranteed
- ▶ Linked to Inventory Files
- ▶ Flexible



# SURF TIME

- ❑ <http://www.utextension.utk.edu/adc/>
- ❑ <http://www.utextension.utk.edu/adc/market.html>
- ❑ <http://www.extension.umn.edu/mainstreet/>
- ❑ <http://www.websitesthatsuck.com/>

- ❑ <http://bigsfarms.net/> - - Hot Sauces
- ❑ <http://honeyjelly.com/> - - Honey Jelly
- ❑ <http://www.merrittpop.com/> - - Microwave Popcorn
- ❑ <http://www.slawsa.com/> - - SLAWSA

- ❑ <http://williamscreekresort.com/> - - Farm Cabin Rentals
- ❑ <http://jonesorchard.hypermart.net/Jonesorch.htm>  
- - Value-Added Orchard Products
- ❑ <http://www.sweetwatervalley.com/> - - Farmstead Cheese