

## Small Retailers Push for Online Sales

The holiday outlook is gloomy, but online retailers can react faster with discounts, free shipping, and other Web promotions than stores can

By [John Tozzi](#)

[Nicole DeBoom](#) (*BusinessWeek SmallBiz*, 4/16/08) watched online sales at her women's sportswear company drop 25% in early November—a sign that buyers were pulling back just when holiday shopping should have started. So DeBoom, who is chief executive of SkirtSports, a five-person company she founded three years ago in Boulder, Colo., planned to cut prices 30% on old inventory at the company's online outlet, SkirtSportsOutlet.com, starting the Monday after Thanksgiving.

"We think it'll spark a major feeding frenzy. Our margins are going to take a hit, but at this point, we just need volume," DeBoom says. She hopes the discount will keep sales on a level with the 2007 holiday season, even as her profits shrink because of those thinner margins.

Small retailers like SkirtSports that [sell online](#) aren't waiting to see whether recession-spooked consumers will dampen online growth. They're taking steps now to shore up as much business as possible. In the past, online sales have sustained year-over-year increases of 20% or more during the holidays, even as broader retail sales grew much more slowly. But that's likely to change this year. Market researcher [TNS Retail Forward](#) predicted online holiday sales will grow 9% over last year, while Forrester Research ([FORR](#)) forecast 12% growth. ComScore ([SCOR](#)) reported six consecutive months of slowing growth in online retail, with October sales up just 1% over October 2007. In the third quarter, online retail sales grew just 0.3% (seasonally adjusted) over the second quarter of 2008, according to Census data released Nov. 19. That beat the broader retail sector, which shrank 1.4% in the same period, but the July-September period was among the worst quarters of online growth ever—and most of the quarter preceded the financial crisis that began to snowball in mid-September.

### FASTER ADJUSTMENT

Still, small retailers with an online presence recognize they are better positioned to drive sales than their brick-and-mortar counterparts [facing the prospect of empty stores](#) (*BusinessWeek.com*, 9/23/08). "The general mood we've seen is that online retail is resilient but not immune to the economic downturn," says Larry Joseloff, vice-president for content at Shop.org, the digital arm of the National Retail Federation. Joseloff says online retailers can adjust strategy in response to shoppers, as DeBoom did with her clearance sale. "From an online perspective, you can change your promotions very quickly," he says.

Just as SkirtSports is betting on discounts to jump-start sales, appealing to bargain hunters online may be the best hope for small retailers. "Shoppers are looking for value and more likely to be searching for price information and price comparisons," says Frank Badillo, senior economist at TNS Retail Forward. Retailers are becoming more aggressive this year with Internet promotions aimed at frugal shoppers. For example, online gourmet retailer Zenobia Nuts on the Net started offering customers who try to navigate away from their page a 10% discount code, which helps convert browsers to buyers, according to Zach Bobker, the company's e-commerce director. The service, from a vendor called [UpSellIt](#), has helped the Bronx (N.Y.) family business boost orders 10% so far this season. The company also began free two-day shipping last year, which Bobker says increased sales particularly for holiday orders.