

The Free E-Commerce Ride Is Over

Author:
MaxxFusion Technologies

Created On: Sat 01/03/2009 4:28 PM

Since the dawn of e-commerce, it's been easy for companies to gain as many new customers as they can handle, thanks to the influx of users to the Internet. However, that influx is running out, and e-tailers had better get out in front of the trend.

Legend has it that the inventor of chess was so wise that when the king asked him to name his reward, he replied that he only wanted one grain of wheat for the first square, two grains for the second, four grains for the third, eight grains for the fourth and so on up to the sixty-four squares on the board. The king readily agreed, thinking it a ridiculously low reward for such an amazing invention, but then was later advised by his treasurer that he owed the inventor more grain than could be produced by the kingdom in 10,000 years!

And what does this tale have to do with the online shopping experience? Simply that assumptions about geometric growth can get you into serious trouble. Look specifically at the growth of online shoppers. According to a [2008 Pew Report](#), the percentage of Americans adults who have ever purchased something online has grown from 22 percent in 2000 to 50 percent in 2006 -- an annual growth rate of about 15 percent. Now, if you continue to project 15 percent growth each year you get to **102 percent by 2011!**

<!--//<![CDATA[google_ad_client = "pub-7462823094262195";
google_ad_width = 160; google_ad_height = 600; google_ad_format = "160x600_as";
google_ad_channel = "5042993450"; google_color_border = "F0F0F0"; google_color_bg =
"FFFFFF"; google_color_link = "000000"; google_color_url = "000000"; google_color_text =
"006400"; //]]>!--> <!--//<![CDATA[//]]>!-->

No Way

Clearly that's impossible. The growth of new online shoppers must slow down because at some point everyone who is going to be shopping online is already shopping online. And in fact, it's probably already happening: Growth from 2005 to 2006 was about 8 percent. Growth from 2006 to 2007 was negative 2 percent! (Yep -- that's not a mistake! The population of American adults continues to grow but the number of online shoppers did not grow as fast).

So what does all this mean? During this past decade, e-commerce has grown like weeds because of the massive influx of new online shoppers as the population has (a) gone online and (b) started to shop online. In 2000 (again according to the 2008 Pew Report), only 48 percent of American adults were even online in the first place. By 2007, that number had grown to 74 percent. I'm speculating now, but I suppose that new online shoppers have tended to gravitate toward retailers that they already know and trust from shopping their stores or catalogs. The brands that had already built a relationship outside the Web have gotten a free ride as America has become wired, resulting in awesome growth and profit despite relatively minimal capital investment.

No Free Ride

But now the free ride is over. As the tidal wave of newbie online shoppers ebbs to a trickle, further growth will only come through retaining existing shoppers and poaching new shoppers from your competitors (who of course are trying to do the same thing to you). Winning will be less about scooping up souls from the search engine marketing soup and hoping that a few will purchase something, and more about paying very close attention to what happens to your visitors once on your site. [Patti Freeman Evans](#) at [JupiterResearch](#) has been writing about this for years.

In other words, it all comes down to user experience. Basically, we've been treating online customers pretty badly since the birth of the Web. A 2 percent conversion rate means that 98 percent of a site's visitors didn't buy anything. Why do we feel that's acceptable? How many of that 98 percent were confused, dissatisfied or annoyed? In a store we'd see a shopper's pain face-to-face; on the phone, we'd hear the stress in her voice; but the Web lets us keep her at arm's-length -- just a statistic rolled up into a huge column of numbers.

In the legend of chess, the king retained his kingdom and his honor by assuring the inventor that his reward would be paid, but insisted that the inventor must count every single grain himself to make sure that he is not being cheated. Likewise, we have to start paying attention to every single visitor and figure out ways to make her online shopping experience better than the next site, only a click away.