**What products sell well on the Internet?**

Each product category below had over $1 billion in online sales in 2005/2006:

- Apparel and accessories
- Computers and electronics (39% growth in software)
- Food and drug
- Housewares/home furnishings (36% growth)
- Specialty non-apparel goods
## Who's Who Online

<table>
<thead>
<tr>
<th>Category</th>
<th>Top Retailer</th>
<th>Second in Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel/Accessories</td>
<td>L.L. Bean</td>
<td>Gap</td>
</tr>
<tr>
<td>Books/CDS/DVDs</td>
<td>Netflix</td>
<td>Barnes and Noble.com</td>
</tr>
<tr>
<td>Computers/Electronics</td>
<td>Dell</td>
<td>HP</td>
</tr>
<tr>
<td>Flowers/Gifts</td>
<td>1-800-Flowers.com</td>
<td>FTD</td>
</tr>
<tr>
<td>Food/Drug</td>
<td>Drugstore.com</td>
<td>Peapod</td>
</tr>
<tr>
<td>Hardware/Home Improvement</td>
<td>Home Depot</td>
<td>Lowes</td>
</tr>
<tr>
<td>Health/Beauty</td>
<td>Quixtar</td>
<td>Avon</td>
</tr>
<tr>
<td>Housewares/Home Furnishings</td>
<td>Williams-Sonoma</td>
<td>Crate &amp; Barrel</td>
</tr>
<tr>
<td>Jewelry</td>
<td>Blue Nile</td>
<td>Bidz.com</td>
</tr>
<tr>
<td>Mass merchandise</td>
<td>Amazon</td>
<td>Sears</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>Office Depot</td>
<td>Staples</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>Cabela's</td>
<td>Sportsman's Guide</td>
</tr>
<tr>
<td>Toys/Hobbies</td>
<td>Toys &quot;R&quot; Us</td>
<td>eToys</td>
</tr>
</tbody>
</table>

2006 Top 500 Retail Web Sites, Internet Retailer

## Top Retailers by Sales

<table>
<thead>
<tr>
<th>Retailer</th>
<th>2005 Sales (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon</td>
<td>$8,490</td>
</tr>
<tr>
<td>Office Depot</td>
<td>$3,800</td>
</tr>
<tr>
<td>Staples</td>
<td>$3,800</td>
</tr>
<tr>
<td>Dell</td>
<td>$3,779</td>
</tr>
<tr>
<td>HP Home &amp; Home Office</td>
<td>$2,829</td>
</tr>
<tr>
<td>OfficeMax</td>
<td>$2,567</td>
</tr>
<tr>
<td>Sears</td>
<td>$2,160</td>
</tr>
<tr>
<td>CDW</td>
<td>$1,769</td>
</tr>
<tr>
<td>Sony</td>
<td>$1,625</td>
</tr>
<tr>
<td>Newegg.com</td>
<td>$1,300</td>
</tr>
<tr>
<td>Best Buy</td>
<td>$1,267</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>$1,050</td>
</tr>
<tr>
<td>J.C. Penney</td>
<td>$1,039</td>
</tr>
<tr>
<td>QVC</td>
<td>$1,016</td>
</tr>
</tbody>
</table>
Ideal online products

Backed by guarantee provided by reliable, well-known company (reduces consumer risk)

Relatively inexpensive

Standardized commodity type products (standard specifications, usage)
Products not needing

Transitioning to online sales

4 common backgrounds to e-Commerce companies
    Pure-play online retailers
    Click-and-mortar retailers
Lands’ End

Top tier online clothing retailer.
Began as a catalog retailer.

Established online industries

Nature of some industries made them particularly suitable to embrace e-Commerce.

Travel
Real Estate
Banking and investing
Online Travel Industry

Online travel: probably the most successful e-commerce industry implementation

Major players: Expedia, Travelocity, Priceline, Orbitz

Typical services:
- Providing general travel information
- Reserving and purchasing tickets, accommodations, entertainment, etc.
- Publishing electronic travel magazines or newsletters

Industry Player Facts

**Travelocity**
- 2005 net profit: $172 million
- Travel bookings for 2004: $7.4 billion
- Owns and operates Sabre Travel Network

**Expedia**
- Originally owned by Microsoft
- 2005 net profit: $229 million
- Travel bookings for 2005: $15.6 billion

**Priceline**
- In 2005 sold
  - 2.8 million airline tickets
  - 11.8 million hotel room nights
  - 5.8 million rental car days
### Online Travel Companies

**How do they make money?**
- Direct revenue—commissions from sales
- Consultancy fees from other industry participants

**How to be unique?**
- Interface differences and tools
  - Bulletin boards and forums to promote user involvement

### Online Travel Industry

**Benefits for consumers**
- Access to timely free information from anywhere

**Benefits for industry players**
- Airlines, hotels, cruise lines—higher participation.
  - Selling otherwise-empty spaces

**Limitations**
- May be difficult for inexperienced Internet users
Online Real Estate Industry

WWW has made it much easier to find, buy, and sell a home.

- View properties online, saving time for buyer and broker
- Search by specific criteria and preview exterior and interior design
- Sell/buy home without employing a broker

Online real estate financing

- Shop for best loan rates online
- Apply for and receive approval for financing online
- Real-estate lending portals: LendingTree, eLoan, etc

Online Investing

Big boom in 1990s with “day trading”

Process buy and sell stock transactions from a home PC.

Online Discount Brokers—
Online grocery sales?

Biggest problem:
Grocery industry operates on a thin margin, cutting costs difficult.

Primary advantage:
Amazon began to sell non-perishable groceries online summer of 2006.

Track record of many failures (Webvan lost over $1 billion) makes potential investors wary.
Why not go online?

Top reasons retailers give for not going online:

Keys to success

Don’t ignore — what is the revenue and profit plan?
Manage — what risks will this venture expose us to?
Watch the cost of — how can we build our name without breaking our budget?
Do not start with insufficient **funds** — do we have enough funds to see our plans to completion?
The **Web site** must be effective — is our Web presence functional and usable for guests?
Keep it **interesting** — what is our plan for building loyalty and repeat customer visits?