



GROWING A BUSINESS ONLINE in an Economic Downturn

By Troy Anderson

At age 6, Houston native Veronica Scott wrote in her diary she wanted to be a fashion designer. By 13, she and business partner, Lawren

Pope, had already designed a line of fuchsia-inspired apparel and were eager to open a fashion boutique. The only thing that stopped them, Scott says, was the inconvenience of having to spend eight hours a day at school and homework.

Shortly before graduating high school, the duo capitalized on the boom in Internet retailing and launched Fuchsiaonline.com, a high-end fashion house and design company with offices in Houston and San Diego.

Today, at age 21, Scott routinely travels to fashion shows in Milan, New York City, Miami and Los Angeles, promoting the company's line of

dresses and other apparel with price tags ranging from \$150 to \$1,200. The business is helping put her through the \$35,000-a-year business school at the University of San Diego.

"It works out great for us because we're still in college and we don't have to maintain a storefront 24/7," Scott says. "We don't have strolling traffic, but by promoting our company on MySpace and Facebook, we've noticed the buzz about our company kind of creates the same foot traffic you have with a storefront. People mention us on Facebook and we see pictures of people wearing things they have bought from us."

While brick-and-mortar retailers continue to take a drubbing in the slowing economy, Internet retail sales have reached a critical mass and are expected to grow 17 percent

this year, according to a recent survey conducted by Forrester Research for Shop.org.

Driven primarily by sales of computers and electronics, automobiles, apparel and home furnishings, eCommerce is expected to grow from \$175 billion in 2007 to \$204 billion this year.

“Right now, eCommerce is the bright spot in retailing,” says Scott Silverman, executive director of Shop.org, the online branch of the National Retail Federation. “We see it continu-

ing to increase in the teens in the years ahead.”

With most retailers facing softening store sales this year, Forrester predicts online sales will rise to \$335 billion by 2012, increasingly eroding the market share from other retailers as more people discover the convenience of shopping online.

Currently, seven percent of all retail purchases are made on the Internet. Nearly half of all computers and software are purchased online. This is followed by event tickets at 31 percent; books, 26 percent; music and videos, 26 percent; gift cards and certificates, 24 percent; toys and video games, 22 percent; consumer electronics, 20 percent; apparel and shoes, 12 percent; and home furnishings, 11 percent.

“Apparel is a category where customers normally need to touch and feel a product before buying it,” Silverman says. “But retailers have done a good job of helping consumers get over that touch-and-feel hurdle. They do that with rich images, more ways to zoom into a product, things like customer reviews and return policies that lessen the risk of buying online.”

As it continues to grow, Internet retail sales have reached a point where a retailer’s Internet strategy is more crucial to its success, according to a recent report by Moody’s Investors Service.



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For example, Plano-based J.C. Penney compensated for flat store sales last fiscal year with 15 percent growth in online sales totaling \$1.5 billion.

"jcp.com is our fastest-growing sales channel," J.C. Penney spokesman Quinton Crenshaw says. "As J.C. Penney continues to grow, jcp.com will remain the hub of our multi-channel strategy. It's our largest, most dynamic store, expanding J.C. Penney's offering of sizes, colors and product categories well beyond the scope of our store-based assortments."

Other companies with a sizable online presence, such as Wal-Mart, J. Crew, Neiman Marcus, Macy's and Limited Brands, are also expected to benefit. In May, three of the nation's top retailers, Nordstrom, Bloomingdale's and Gap, announced new Web-centric strategies. Nordstrom introduced its "Buy Online, Pick Up In Store" sales pitch. Bloomingdale's announced it will stop mailing its catalog next year as part of a move to shift consumer focus to its website.

As prices at the pump soar and people make fewer trips to the mall,

Moody's expects consumers to buy even more over the Internet.

"High oil prices and improving technology are bound to add to the sales momentum," Maggie Taylor, vice president and senior credit officer at Moody's, wrote in the analysis. "The one-two punch of high gas prices – which make consumers reluctant to drive to the mall – and the convenience of home shopping provide support for the continued strong growth."

The shift to online shopping comes as many businesses offer free or low-priced shipping and easier-to-navigate websites, making the Internet a compelling convenience for cash- and time-strapped consumers.

The trend is expected to especially benefit retailers that focus solely on the Internet, such as Amazon.com. The company continues to increase its sales of books, but is also selling home and garden products, music, movies, clothing and other merchandise.

"You can get parts for your lawnmower," says Amazon.com spokesperson Tammy Hovey. "We sell



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just about everything and anything on the site. And we're always looking to expand and include products in more categories."

Helen Malani, an online shopping expert at Shopzilla.com, the world's largest comparison shopping service with 20 million Web visitors a month, says more people are shopping online as a result of the credit crunch and housing woes.

"People have to be smarter with their money," Malani says. "They are using shopping search engines to do their homework and to comparison shop, making sure they are getting a decent price."

A recent study by the Pew Internet & American Life Project found the Internet is playing an increasingly important role in how people conduct research for purchases. The study, which tracked the decision-making process for buying music, purchasing a cell phone and buying or renting a home, found the Internet is among a variety of sources people use in making a final purchasing decision.

Among those who bought music, 56 percent say they found it through various online tools, such as going to a band's or artist's website or streaming samples of songs to their computers. Nearly 40 percent used the Internet to buy a cell phone. And 49 percent used the Web to rent or buy a home.

"We expect people in time to become more comfortable in making online transactions," says John B.

Horrigan, associate director of the project. "Some respondents told us they worry about online security and sending credit card information over the Internet. Oftentimes, that worry about online transactions lessens as people get more experience with it and hear from others."

To help reduce consumers' anxieties and increase online security, more than 4,000 online businesses are using security provided by VeriSign, Inc. By adding VeriSign EV SSL to their websites, online businesses are protected against phishing scams that lure consumers to sites designed to appear almost identical to genuine Web pages. Criminals use these fake pages to steal credit card numbers, passwords and other personal information.

When visiting sites protected by VeriSign, Internet users see the company symbol and know they have reached a site whose authenticity has been certified. More than 93 percent of Fortune 500 companies – and the world's 40 largest banks – rely on some form of the VeriSign SSL Certificate for their security needs. The seal can be found on more than 90,000 Internet domains and is viewed 150 million times a day in more than 145 countries.

"What the SSL serves to do is encrypt the data in transmissions so when a third party tries to intercept the data they will just get a bunch of gibberish," says Ryan White, the SSL product marketing manager at VeriSign. "It's the most trusted mark on the Web. Users see this on a website and research shows they are more likely to complete the transaction."

Ron Consolino, a management counselor at the Houston office of SCORE – Counselors to America's Small Business, is urging those businesses that haven't launched a website promoting their products and services to do so.

"Our advice is to develop a website and do as much eCommerce as possible," Consolino says. "In order to compete these days, you have to do as much eCommerce as you can. Sometimes it's just to alert people that you have a storefront somewhere. Other times, it's to take transactions online

and to advertise and promote yourself."

One of the businesses Consolino has counseled is Home Lifestyle Solutions, a Houston-based consulting company that customizes homes to complement lifestyles. Owner Brodny Carmichael said his website, www.homelifestylesolutions.com, gives customers information about the company and helps make the in-person consultation process more efficient.

"It's helping us do a better job of informing customers of what we do and what we specialize in," Carmichael says.

At the University of Houston, Lorri Karafa-Guegel, a program manager in charge of the online learning and continuing education program, says she's seen a 50 percent increase in enrollment in online classes in recent months, including Web development. People can sign up for the classes at uh.edu/ceonline.

"These courses help people who are starting out in business get the

training they need," Karafa-Guegel says. "We've also had a lot of small companies put their employees through the training courses here, like accounting and bookkeeping."

Meanwhile, Veronica Scott is planning to graduate from the University of San Diego next spring. After graduation, she plans to go to law school or get a master's degree in business administration. And once she completes her education, she plans to focus all her attention on her company.

"We've expanded the company as much as we can handle at this point," Scott says. "With as many offers as we've gotten to grow the company, I have to keep up with school work. But after school, I plan to use what I learned in school to grow the company even further." **N**

Troy Anderson is an award-winning newspaper reporter based out of Southern California who also freelances for a variety of national and regional magazines.