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## Holiday Sales: Will Vstores Lead or Follow?

AN "OLD-FASHIONED" CHRISTMAS, for retailers, would be anything before last year. They harken back to when "e-commerce" would have been an unintelligible term, when Wal-Mart's biggest strategic dilemma was whether to sell groceries, and when the annual holiday shopping speculation centered simply on how much more or less would occur than the year before.

Well, the e-tail is wagging the dog again this year when it comes to the buzz about the holiday retailing season. Even though online sales remain a small fraction of overall spending in this country, the most talk surrounds speculation about how high e-retailing will fly.

Projections range from the \$6 billion that Jupiter Communications expects online consumers to spend on the holidays, to the \$7.3 billion recently prognosticated by eMarketer, to the \$12.2 billion just projected by the Gartner Group's DataQuest Inc. unit. (Another divergent set of projections is that for online sales for 1999 as a whole, which includes DataQuest's guess of \$31.2 billion and Forrester Research's prediction of \$20.2 billion — but that's another story.) In any event, most pundits and retailers expect at least a doubling of the \$3 billion to \$4 billion that was spent online during last year's fourth quarter.

And e-retailers are facing peril in the next several weeks, no doubt about it. The dot-com demolition derby will be littered with crash-and-burn losers as well as triumphant winners come December 26; it just isn't clear yet which will be which.

Success will in large measure be determined by consumers' online experiences. Jupiter Communications notes that the anticipated jump in volume could result in "additional site failures, inadequate customer service, and poor order fulfillment." Such events may well dissuade the increasing number of mainstream consumers who are jumping online to buy things — and who are likely to be less forgiving than "early adopters" of e-commerce.

It used to be as predictable as Thanksgiving Day football that economists, retailing giants and experts would lay out their projections in November for how many billions of dollars holiday shoppers would spend. The nation's long economic boom has diluted this annual exercise over the last several years. But this year, observers of the general economy are sitting forward in their seats a little more than recently because of the confluence of a few factors.

Interest rates are higher, and that may impinge on consumer spending a bit, noted Daniel Barry, managing director and senior retail analyst at Merrill Lynch, during a recent Merrill Lynch seminar on the Christmas outlook. And while Y2K-associated partying and goods-stocking may provide an artificial boost to general merchandisers next month, some economists have noted, January may bring a lull as tapped-out consumers try to recover both from conventional holiday spending as well as provisioning they may have done for the turn of the millennium.

What's more, however briskly consumers shell out their money over the next six weeks, retailers this season will have a tough time exceeding last year's very robust performance. Barry is looking for a 5.5% increase over a year ago nonetheless, and the International Mass Retail Association's 1999 Holiday Sales survey is projecting about the same. If retailers as a whole do indeed post those kinds of numbers, it would be one strong indication that America's robust economic health is not entirely virtual.

**Companies referenced in this edition:**

<http://www.dataquest.com>  
<http://www.ml.com>  
<http://www.imra.org>  
<http://www.jupitercommunications.com>  
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**Best of the press:**

Jupiter Communications press release (Sept. 21, 1999): "1999 Holiday Online Sales Will Double to \$6 Billion"

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