



Critical issues in internet retailing.

3 Critical Issues in Internet Retailing

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In the early, hyped-up days of e-commerce, Internet retailers tried to focus customer and investor attention on the bells and whistles of their product offerings or Web pages, and hoped that no one noticed the poor performance of backroom operations — or they deluded themselves into believing that good execution was unimportant. But that approach resulted in late shipments and bloated fulfillment costs, which led to the demise of erstwhile leaders such as Pets.com, Webvan and Value America. In contrast, successes like Amazon.com invested heavily in building operations capabilities rather than outsourcing anything that didn't appear sexy enough for the "new economy."

"There's a lot of co-processing going on. You look at kids now ... they're at their computers, they've got six windows open, they're chatting, they're watching. And I

think that has some really interesting ramifications [for online content]. ... One is: How much of your brain is watching any one thing? And what does that mean for content?"

—LAURIE DEAN BAIRD, DIRECTOR OF TECHNOLOGY PARTNERSHIPS, PLATFORM R&D, TURNER BROADCASTING SYSTEM INC.

Internet retailing now has completed the cycle from overhyped promises to overreactive retrenchment and has settled into a steady but heady growth pattern. Online retail sales in the United States exceeded \$85 billion in 2005, and in 2006 they appeared to be on track to grow at around 24%.¹ This would mark the fifth straight year at that rate, which is more than three times the growth rate of total retail sales.

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