

Online Retailers Turn on Services to Capture More of Holiday Sales

By [GEOFFREY A. FOWLER](#) And [ANN ZIMMERMAN](#)

The Web is shaping up to be one of retail's bright spots this holiday season, thanks in part to a new take on an old-fashioned retail idea: good service.

At a time when traditional retailers are being ultra conservative, many Web sites have been spending to make shipping times faster, consumer-generated reviews better, and to offer new features such as online layaways. [Amazon.com](#) Inc. is rolling out more "frustration-free" packages that replace hard-to-open plastic clamshells; [eBay](#) Inc. is highlighting merchants with the best ratings; and [Sears Holdings](#) Corp. is launching online layaway.



In contrast, many traditional retailers have cut way back on inventory levels and holiday staffing, hoping to avoid the massive profit-eroding discounts of last holiday season.

[Neiman Marcus](#), for instance, has slashed merchandise orders more than 20%. Saks Inc. has cut its merchandise by about 20%, but provides access to its web site at cash registers so clerks can help customers locate merchandise online.

A recent holiday hiring survey found almost half of retailers said they expected to reduce the number of workers by 5% to 15% compared to a year ago. Among them, [American Eagle Outfitters](#) Inc. said it expects to have fewer temporary workers on the sales floor.

The push for better online service comes as big Web retailers forecast a relatively rosy holiday season following a 3% sales drop last year, according to market researcher [comScore](#) Inc. That's the first drop since Americans began shopping online.

This year, despite predictions of a flat to 1% dip in retail as a whole, 80% of e-commerce sites surveyed by the National Retail Federation in early October expect to see their holiday sales grow. Last week, online giants Amazon and eBay also projected holiday sales gains.

"We're optimistic," said Amazon chief financial officer Tom Szkutak last week. "We feel very good about what we saw in (the third quarter)...and right now we're focused on making sure that we have a great customer experience during (the fourth quarter.)"

Online sales represent about 4% of U.S. retail sales, according to the Census Bureau. And online sales have declined so far this year.

U.S. shoppers on average rate e-commerce shopping more highly than at traditional retailers, according to the University of Michigan American Consumer Satisfaction Index.

Convenience is already a big part of online's allure. A survey released Friday by the E-tailing Group, a retail consultancy, found that people shop online mostly because it saves them time and also lets them shop smarter, such as purchasing from friends' wish lists and reading online reviews.

Some retailers, such as Zappos.com, the online shoe retailer recently purchased by Amazon, have moved away from trying to compete on price.

Aaron Magness, Zappo's business-development manager, said the site "is about providing the very best service and experience" and added that it spends most of its marketing dollars on a 24-hour service hotline, free shipping and returns on purchases.

Online jewelry retailer [Blue Nile](#) Inc. invested in the downturn to overhauled its Web site to make it more female friendly and easier to build custom rings.

Blue Nile launched its new site last month and is projected by analysts to increase sales 9% to 15% in the fourth quarter after a 23% sales drop in the same period last year.

EBay earlier this month also unveiled a new merchant-rating system. Merchants who get very few low ratings from buyers are identified with a special "top-rated seller" badge, so consumers know better who it's safe to buy from.

EBay over the summer began giving customers toll-free numbers to call if they have a problem with a purchase.

Some retailers are also resurrecting an old standby this holiday season: layaway.

Earlier this month, Sears expanded its layaway program to its Sears and Kmart online stores. The online layaway services include a calculator for determining a payment schedule and a required down payment for a layaway contract.

Many e-commerce sites are also working to improve shipping. [GSI Commerce](#) Inc., which runs the Web sites and warehouse fulfillment for brands including [Aeropostale](#) and Bath & Body Works, revamped its shipping operation over the summer.

Now packages headed to the East Coast, for example, are put into one truck and driven across the country before being split up. Previously, packages that were destined for ground delivery went into one truck to the UPS hub near GSI's warehouse, regardless of their final destination. "It saves number of steps in the process," said Michael Conn, GSI's chief financial officer. GSI now takes just 2.6 days on average to ship a product, down from 3.6 days, said Michael Conn, GSI's chief financial officer.