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INTERNET NEWS

ONLINE HOLIDAY SALES UP MORE THAN 300%

By Wendy Wilson 3/14/2000



MARCH 14 | Research from Alexander & Associates shows Internet sales increased more than 300% this holiday season compared to last, with more than 5 million VHS and DVD units sold online. Yet, reports from some of the Internet's largest video e-tailers say that number may be conservative.

New York-based Alexander released its Holiday Market Snapshot late last month, which includes sales data for traditional bricks-and-mortar retailers as well as Internet-based sellers. According to the study, more VHS product was purchased online than DVD--2.8 million VHS units compared to 2.3 million DVD units. Web sales of video product accounted for 3.1% of the total 165.1 million units purchased in the fourth quarter.

The overall gain in Internet sales was more than 300% over 1998, according to Alexander. "That's very impressive, especially when you look at how terrible the year was," said Greg Durkin, general manager of Alexander's Video Flash service. According to Alexander, overall VHS and DVD sales in the fourth quarter were down 13% from 1998. Online sales accounted for 9.9% of DVD unit sales during the period and 2.1% of VHS units sold, Durkin said.

However, Alex Bond, CFO for e-tailer Reel.com, said that, based on his site's brisk DVD business during the holidays, Alexander's DVD unit sales number sounded low. "That would mean our market share was 70% and, as much as we would like that to be our market share, it's just a much bigger market than that," he said.

DVD was a \$30 million business for the site for all of 1999, Bond said.

Michael Dubelko, president of Express.com, former DVD Express.com, said his site had a 250% jump in fourth-quarter sales in 1999. He agreed that, at the very least, DVDs are probably a larger percentage of the video product sold online than

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is reflected by the Alexander study.

"I would say the mix would have to be 70% if not 80% overall for DVD," Dubelko said.

Last month, Amazon.com broke out the performance of its DVD & Video store for the first time, reporting a 500% jump in its fourth-quarter sales compared to 1998 (VB, 2/14). Sales for Amazon's DVD & Video division alone were \$64 million, not including advertising revenue or shipping charges. The division's general manager Jason Kilar estimated that at least half was from DVD purchases.

Spokesman Bill Curry said Amazon's dramatic percentage increase in fourth-quarter sales may be partly attributed to the date of the official opening of the site's cyber video store. "We launched DVD & Video on Nov. 17, 1998. So we really only had six weeks of video sales in 1998," he said.

The strong growth trend would appear to have extended to somewhat smaller online operators as well. E-tailer **DVD Wave** saw a 500% jump in fourth-quarter sales for its DVD product.

"January was a strong month too," said director of Web operations Renato Cazares, "just because of DVD player sales over the holiday season."

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