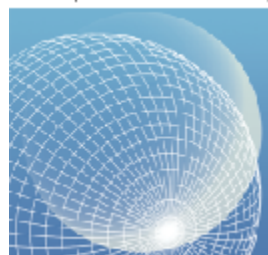


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Pew **Internet** & American Life PROJECT

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Holidays online – 2002

Email grows as a seasonal fixture and e-shopping advances

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INCLUDING ANALYSIS AND DATA FROM COMSCORE NETWORKS, INC.

Key findings

More than three quarters of the nation's Internet users (78%) did some form of holiday activity via email and the Web this holiday season. They used email to socialize and arrange holiday gatherings, reconnect with old friends, and plan religious activities. They browsed online malls and bought gifts in higher numbers than last year. In all, 71% of Internet users went online for some kind of social or spiritual activity and 53% did some kind of e-commerce – either online window-shopping or purchasing gifts.

Email is increasingly important to online Americans as a tool for arranging gatherings and sending greetings: 48% of email users sent and received messages from family members about holiday events and plans; 45% of email users did that with friends; and 27% exchanged holiday cards and letters via email. All of those activities have increased since last year.

This year's survey picked up evidence that about a third of Internet users have now become relatively active online celebrants. They stand out from other online Americans because they use email more often to make holiday plans and share greetings and they use the Web fairly aggressively to make more purchases. Many enjoy the convenience and time savings that the Internet allows them while communicating and shopping.

In all, 28% bought holiday gifts online, up slightly from the 26% who bought last year. The average online gift buyer spent \$407 this year, up from \$392 last year. Convenience and time savings mattered most to them, but, in addition, 51% of online gift shoppers say that a major reason they went online to shop was to locate an unusual or hard-to-find present. Some 31% say saving money was a major reason.

Fully 30% of online Americans say they use the Internet to get spiritual and religious information now. That is an increase from the 25% that were seeking religious material last year. African-Americans and parents, especially mothers, are the most likely to have sought spiritual material online.

Holidays online

PART 1: EMAIL EMERGES AS A HOLIDAY CELEBRATION TOOL

The role of the Internet in the life of American families continues to evolve. For three years, the Pew Internet & American Life Project has tracking how Americans use the Internet for socializing, shopping, and pursuing religious activities during the holiday season. This year's survey shows that email has become an ever-more important means for people to plan and enjoy seasonal events and that holiday gift shopping online is growing in popularity.

The kinds of emails holiday celebrants sent

Two-thirds of American email users sent an email that related to the season. Compared to last year, there was growth in every category of email about which we ask. For instance, 48% of email users sent or received emails from family members about holiday plans this year, compared to 42% last year. On a typical day during this holiday season, one out of every six email users, close to 20 million people were communicating with family and friends via email specifically about the holidays.

The kinds of emails holiday celebrants sent		
<i>The percentage of email users who sent or received this kind of email</i>		
	<i>2001</i>	<i>2002</i>
To/from family members about holiday plans and events	42%	48%
To/from friends about holiday plans and events	39%	45%
Holiday letters/cards via email	24%	27%
To/from someone I had not spoken with in several years to exchange holiday greetings	11%	16%
To/from members of my church/synagogue to plan religious activities	N/A	10%

Source: Pew Internet & American Life Project December 2002 survey. Sample= 1,220 Internet users. Margin of error is ±3%.

Whites and Hispanics with Internet access were more likely than African-Americans to use email with family and friends to make holiday plans. And those who fit the typical profile of heavy Internet users also were the most likely to use email to plan and celebrate. That includes those in high-income households, those with advanced educations, those with lots of Internet experience (six or more years experience), those with high-speed broadband connections at home, and those who use the Internet daily. Baby boomers were more likely than other age groups to use email to plan religious activities. Similarly, parents were more likely than non-parents to use email for this purpose.

Experience matters in how people use email				
<i>The longer people have been online, the more they are likely to use email for various holiday purposes.</i>				
	<i>1 year or less of Internet experience</i>	<i>2-3 years</i>	<i>4-5 years</i>	<i>6+ years</i>
Sent/received email from family about holiday plans and events	34%	44%	47%	55%
Sent/received email from friends about holiday plans and events	28%	35%	46%	52%
Sent holiday card/letter via email	17%	21%	27%	31%
Sent/received email from someone I had not spoken to in years to exchange holiday greetings	7%	13%	14%	21%

Source: Pew Internet & American Life Project December 2002 survey. Sample= 1,220 Internet users. Margin of error is $\pm 3\%$.

Holiday season and spiritual uses of the Web

About a third of Internet users also went online to get information about various seasonal activities. Some 25% looked online for new ideas about crafts, food, or other ways to celebrate the holidays. Online women were twice as likely as men to use the Internet this way.

In addition, 11% of Internet users researched religious material or traditions related to the holiday season. Baby boomers and parents were among the most likely to use the Internet this way. Further, 6% of Internet users went online to find ways to attend or participate in holiday celebrations.

Overall, 30% of online Americans say they use the Internet to get religious and spiritual information, according to our tracking survey in November. That amounts to nearly 35 million people and is one of the online activities that continues to grow as a healthy clip. For instance, a year ago, we found that the number of religious seekers online was 28 million and two years ago it was between 19 million and 20 million. On any given day, more than 4.5 million Internet users are getting spiritual or religious information online and this is up from 3 million on an average day in late 2001. And it is still the case that more people use the Internet for religious or spiritual activities than have gambled online, used Web auction sites, traded stocks online, or used Internet-based dating services.

Women with Internet access are more likely than men to pursue spiritual information and activities online. African-Americans are especially interested in getting such information. Fully 47% of wired African-Americans have gone online in search of religious material, compared to 28% of online whites and 24% of wired Hispanics. Middle-aged Americans are more likely to get this kind of information online than those who are under 30 or over

60. And parents with Internet access are more likely than wired non-parents to have sought spiritual material online.

The most popular religious and spiritual sites in November	
	Unique visitors in thousands
RELIGION CATEGORY	6,685
GOSPEL.COM.NET	1,213
Beliefnet Network	973
CHRISTIANBOOK.COM	796
CHRISTIANITYTODAY.COM	493
CHRISTIANET.COM	440
CHRISTIANSUNITE.COM	339
JEWISHWORLDREVIEW.COM	270
CHRISTIANANSWERS.NET	254
About Religion	251
DAILYGUIDEPOSTS.COM	235
FAMILYCHRISTIAN.COM	211
JDATE.COM	207
BIBLE.COM	186
CATHOLIC.ORG	186
AISH.COM	143
BACKTOTHEBIBLE.ORG	131
BIBLE.ORG	122
CHRISTIANET2.COM	115

Source: comScore Networks, Inc. online tracking in November 2002. Audience: All Persons at U.S. Home/Work/College-University Locations

Making holiday travel plans online

One in ten U.S. Internet users (11%) went online to make holiday travel plans and reservations. The general portrait of those who use the Internet for making travel plans and reservations matches the profile of early and heavy adopters. This group is made up of Internet veterans (often with broadband connections) and they have high levels of education and income. However, there is no longer a gender gap when it comes to online travel. As many women as men exploit online tools for planning and making trips.

PART 2: E-SHOPPING GROWS

In the early winter of 2002 the tracking survey of the Pew Internet & American Life Project showed that 57% of U.S. adults use the Internet – that comes to about 109 million people. Of those Internet users, more than 66 million have purchased a product or service online at some point in their Internet experience – not necessarily for gift-giving or holiday purchases. This represents a 10% increase in the number of online consumers from the holiday season in 2001 and is further indication that as Internet users gain more experience, confidence, and trust in the e-commerce environment they are willing to spend their money on Internet-based purchases.

While the growth of the number of Americans participating in e-commerce is notable, it is also important to put e-commerce in perspective. Simply stated, the overall volume of online sales is *very small* compared to the overall retail trade in America. The overall U.S. retail economy was \$3.5 trillion in 2001 (the year for which the most recent data are available from the National Retail Federation based on U.S. Census figures. The best estimate for online consumer spending for 2002 was \$74 billion, according to analysis by the Web monitoring firm comScore Networks – or just over 2% of the overall U.S. retail trade. Of that volume, comScore says that \$43 billion is retail sales unrelated to travel purchases.

The National Retail Federation estimated that during the holiday season this year, about \$209.3 billion worth of retail business would be transacted throughout the U.S. economy. Our estimate of the total volume of online shopping by Americans falls close to \$11 billion and other projections put the volume at \$8 billion measured by BizRate.com, the e-commerce research firm, \$13.1 billion by online market research firm Jupiter Research, and \$13.8 billion measured by comScore Networks. That means that holiday shopping online probably amounted to less than 1% of total holiday sales.

Holiday shopping online

More than 30 million Americans bought gifts online (28% of Internet users). That compares to about 29 million who bought last year and 20 million who bought gifts

Who the holiday shoppers were	
<i>More than 30 million U.S. Internet users bought gifts online during the holiday season. The percent of the overall online shopping population in each group</i>	
Men	41%
Women	59%
By race and ethnicity	
Whites	79%
Hispanics	10%
Blacks	4%
Others	7%
By age	
18-29	24%
30-49	52%
50-64	20%
65+	4%
By household income	
<\$30,000	13%
\$30,000-\$49,999	23%
\$50,000-\$74,999	25%
>\$75,000	39%
By Internet experience	
1 year or less	3%
2-3 years	14%
4-5 years	37%
6 or more years	45%

Source: Pew Internet & American Life Project December 2002 survey. Sample= 1,220 Internet users. Margin of error is $\pm 3\%$.

during the holiday season in 2000. The composition of the online gift shopping population did not change much from 2001 to 2002. Women outnumbered men in most dimensions of online commerce. There were more women buying gifts than men and more women using the Internet to look for gifts and comparing prices.

Those with high levels of Internet experience were more likely to buy gifts online than those with relatively little time online. And those with broadband connections were a third more likely to purchase gifts online than those with dialup connections.

About a fifth of those online gift purchasers were newcomers to the Internet gift-buying experience. These new shoppers tended to be newcomers to the Internet – many have less than two years experience online. Other than that, they showed no special demographic characteristics. In other words, the newcomers were about equally divided between men and women, and had no striking income or educational or racial profile.

In the overall e-commerce universe – not just the holiday shopping universe – it is still the case that men slightly outnumber women. But on any given day, equal numbers of men and women are buying products via the Internet.

What e-shoppers spent

According to our survey, online holiday shoppers spent an average of \$407 online in 2002, up a bit from \$392 in 2001, and up from the \$330 spent by the average gift shopper in 2000. The biggest increase came in those who said they had spent more than \$300 online for gifts. In 2000, 34% of the estimated 20 million online holiday shoppers spent that much online. Last year 38% of the estimated 28 million online shoppers spent that much in their Internet gift purchases. This year, 43% of online shoppers spent that much in their Internet gift purchases.

To put those figures in a broader context, it is interesting to note that the National Retail Federation estimated that average spending on holiday gifts was likely to be about \$650 per person this year, compared to \$632 in 2001.

Largest online sales categories		
	2002 holiday season sales in millions	% change vs. the same period a year ago
Computer Hardware	\$1,630	-1%
Apparel & Accessories	\$1,455	31%
Consumer Electronics	\$1,027	21%
Office	\$576	-18%
Home & Garden	\$555	78%
Books	\$397	8%
Toys	\$396	61%
Event Tickets	\$250	16%
Sports & Fitness	\$233	54%
Jewelry & Watches	\$216	45%

Source: comScore Networks data for period between Nov. 1-Dec. 20, 2002.

What e-shoppers bought: comScore Networks findings

Data from comScore Networks show that Computer Hardware was the largest merchandise category based on dollar sales for the period from Nov. 1 through Dec. 20. However, mirroring the overall softness of the tech sector, sales of Computer Hardware decreased 1% versus a year-ago to \$1.6 billion. Apparel and Accessories continued its recent impressive performance and was the second largest category with sales of \$1.5 billion and growth of 31%. Consumer Electronics was the third largest category, with sales of \$1.0 billion, up 21% versus year ago.

For the period from Nov. 1 through Dec. 20, Home and Garden ranks as the fastest growing major merchandise category, increasing 78% over last year to \$555 million. Furniture and Appliances increased 75% to \$171 million, while Toys increased 61% to \$396 million.

Largest growth categories in online sales		
	2002 holiday season sales in millions	% change vs. the same period a year ago
Home & Garden	\$555	78%
Furniture & Appliances	\$171	75%
Toys	\$396	61%
Sports & Fitness	\$233	54%
Jewelry & Watches	\$216	45%
Movies & Video	\$205	36%
Apparel & Accessories	\$1,455	31%
Video games	\$130	24%
Consumer Electronics	\$1,027	21%
Event Tickets	\$250	16%

Source: comScore Networks data for period between Nov. 1-Dec. 20, 2002.

An uptick in online window shopping

The holiday season survey by the Pew Internet & American Life Project shows that 46% of online Americans used the Internet to look for gifts this year. That is almost 49 million people and represents some growth from previous years in the proportion of Internet users doing some gift research online. One of the more notable findings is that Hispanics with Internet access were particularly interested in looking for gift ideas, pricing and product information on the Web. As is invariably the case, the Internet users in higher socioeconomic groups and those with lots of Internet experience were among the most fervent window shoppers online. Broadband users were almost 50% more likely to do online window shopping as dialup users: 60% of those with high speed connections looked for gifts online, compared to 41% of those with dialup connections.

This increased use of the Internet for product research flows from a larger trend. Fully 83% of U.S. Internet users have gone online to research a product at one time or another – a marked increase from the last time we asked this question in mid-2000 when 73% of the Internet population had performed some kind of product research online.

The appeal of online price and product comparisons is easy to understand and most Americans (Internet users and non-users alike) have high expectations they can get useful information about products and services online. In one recent Pew Internet & American Life Project survey, 79% of Internet users said they would expect to find information

online about the products they were interested in buying from stores. Virtually all of those who have actually done product research say they always or “most of the time” find the information they are seeking.

Used the Internet to look for holiday gifts			
	Holidays 2000	Holidays 2001	Holidays 2002
Percent of Internet users	37%	40%	46%

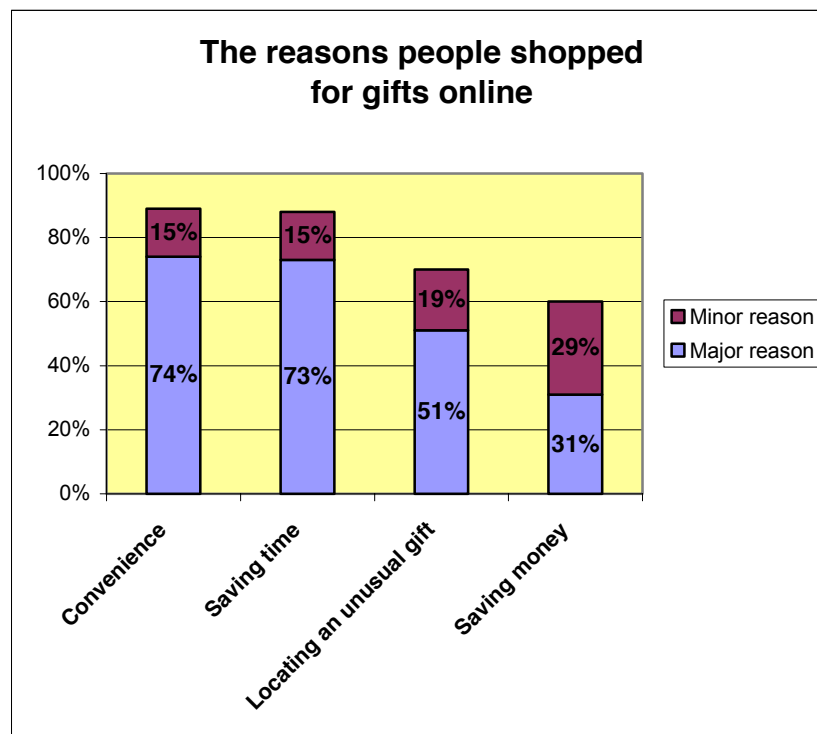
Source: Pew Internet & American Life Project surveys. December 2002 survey has a sample of 1,220 Internet users. Margin of error is $\pm 3\%$.

E-shoppers crave convenience and time savings

The convenience of shopping on the Internet and the prospect for saving time are the biggest draws for holiday-season e-commerce. Three-quarters of this year’s holiday shoppers said that convenience and saving time were major reasons for their making purchases online; 51% said that locating an unusual or hard-to-find gift was a major reason; and 31% said saving money was a major reason.

Some of the demographic highlights: Online whites and Hispanics were among the most likely to cite the convenience of online gift buying as a major reason for their shopping. In addition, those who bought relatively large numbers of gifts online cited the convenience of this mode of shopping as a key issue. African-Americans with Internet access were particularly attracted to online gift-buying by the prospect of saving money, as were those who did most of their online buying early in the shopping cycle in the first weeks of December. Finally, those who spent the largest sums on gift purchases online were also those anxious to save time.

Six percent of Internet users wanted to help their loved ones with their shopping: These users created online “wish lists.”



Where they logged on: One third shop online at work

Some 90% of holiday shoppers said they did some online gift purchases from their homes, a figure that is slightly smaller than the percentage of online shoppers who logged on from home last year. A third of wired holiday shoppers made gift purchases from their work stations at the office, a figure that is slightly up from last year when 31% of holiday shoppers bought gifts while using the Internet from work.

Young Internet users were more likely than their elders to buy gifts while they were at work. Some 42% of those under age 30 who bought gifts this season did so from work, compared to 22% of those over age 50. And many Internet veterans had few qualms about using work computers to do online shopping: 37% of those with over six years of Internet experience who bought gifts online did so from work, compared to 6% of those who had less than a year's experience.

Online auction activity is up

In all, our December survey shows that 24 million American Internet users (22% of the online population) have participated in online auctions at one time or another. That compares to 15% of Internet users (or about 14 million people) who had participated in online auctions in the summer of 2000, when we asked the same question. Online men and those under age 50 are driving the trend, as is Internet experience – 29% of those who have been online for six years or more have participated in online auctions. In addition, parents with Internet access are notably more likely to participate in auctions than non-parents.

What is even more striking is that the number of daily auction participants has more than doubled since mid-2000. In December 2002, about 4.5 million U.S. Internet users were involved in auctions on any given day. In June 2000, fewer than 2 million Internet users were participating in online auctions.

PART 3: THE RISE OF ACTIVE ONLINE HOLIDAY CELEBRANTS

It has become clear that between a quarter and a third of U.S. Internet users have become quite attached to using the Internet to celebrate the holidays and shop for gifts online. It is a growing group and certainly would have fallen well below 10% of Internet users just several years ago. Active online celebrants can be identified in a variety of ways – their use of email, the level of their purchases online, the frequency with which they do window-shopping online. We decided to use a moderately expansive definition of them by focusing on their email use. The analysis in this section focuses on the one-third of email users who used email with family *and* friends to make holiday plans or about holiday events. This definition of “active online celebrant” applies to about 30 million Americans.

These relatively enthusiastic holiday emails are more likely to shop online for holiday gifts (32% v. 23%) and window shop (56% v. 43%). Eager emailers do a little bit more of everything than the average Internet user. For instance, their average online holiday expenditure this year was \$477 versus the \$407 average.

Online experience is the likely driver of this enthusiasm. Two-thirds of ardent emailers (68%) have been online for 5 or more years compared with 55% for all users. Furthermore, a high-speed connection may also contribute to online shopping -- 25% of home Internet users have high-speed connections in this sample; for ardent emailers the home high-speed number is 33%. Also, for home broadband users, the average online holiday expenditure was \$480 this year. For ardent emailers with broadband at home, the average expenditure was \$544 for online holiday purchases.

How online holiday enthusiasts stand out		
	Active celebrants (n=412)	All those who used the Internet for holiday purposes (n=1220)
Window shopping and purchasing online		
Went online to look for gifts	56%	43%
Bought gifts online	32%	23%
Reasons for shopping online (cited this as a “major reason”)		
Locating an unusual or hard-to-find gift	57%	51%
Where they did their online holiday shopping		
From home	93%	90%
From work	39%	33%
How they used email		
With family about holiday plans/events	100%	48%
With friends about holiday plans/events	100%	45%
To send holiday cards/letters	47%	27%
To re-contact someone they had not contacted in several years	28%	16%
To plan religious activities	15%	10%
How they used the Web		
Look for crafts, food or other ways to celebrate holidays	40%	25%
Research religious material	17%	11%
Find ways to participate in holiday celebrations or religious services	11%	6%

Source: Pew Internet & American Life Project December 2002 survey. Overall margin of error is ±3%. For ardent celebrants, margin of error is ±5%.

METHODOLOGY

This report is based on the findings of a daily tracking survey on Americans' use of the Internet. The results in this report are based on data from telephone interviews conducted

by Princeton Survey Research Associates between November 25 and December 22, 2002, among a sample of 2,038 adults, 18 and older. For results based on the total sample, one can say with 95% confidence that the error attributable to sampling and other random effects is plus or minus 2 percentage points. For results based Internet users (n=1,220) the margin of sampling error is plus or minus 3 percentage points. In addition to sampling error, question wording and practical difficulties in conducting telephone surveys may introduce some error or bias into the findings of opinion polls.

The sample for this survey is a random digit sample of telephone numbers selected from telephone exchanges in the continental United States. The random digit aspect of the sample is used to avoid “listing” bias and provides representation of both listed and unlisted numbers (including not-yet-listed numbers). The design of the sample achieves this representation by random generation of the last two digits of telephone numbers selected on the basis of their area code, telephone exchange, and bank number.

New sample was released daily and was kept in the field for at least five days. This ensures that complete call procedures were followed for the entire sample. Additionally, the sample was released in replicates to make sure that the telephone numbers called are distributed appropriately across regions of the country. At least 10 attempts were made to complete an interview at every household in the sample. The calls were staggered over times of day and days of the week to maximize the chances of making contact with a potential respondent. Interview refusals were recontacted at least once in order to try again to complete an interview. All interviews completed on any given day were considered to be the final sample for that day.

Non-response in telephone interviews produces some known biases in survey-derived estimates because participation tends to vary for different subgroups of the population, and these subgroups are likely to vary also on questions of substantive interest. In order to compensate for these known biases, the sample data are weighted in analysis. The demographic weighting parameters are derived from a special analysis of the most recently available Census Bureau’s Current Population Survey (March 2001). This analysis produces population parameters for the demographic characteristics of adults age 18 or older, living in households that contain a telephone. These parameters are then compared with the sample characteristics to construct sample weights. The weights are derived using an iterative technique that simultaneously balances the distribution of all weighting parameters.

PSRA calculates a response rate as the product of three individual rates: the contact rate, the cooperation rate, and the completion rate. Of the residential numbers in the sample, 69.1 percent were contacted by an interviewer and 50.0 percent agreed to participate in the survey. Eighty-six percent were found eligible for the interview. Furthermore, 95.3 percent of eligible respondents completed the interview. Therefore, the final response rate is 32.8 percent.