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Online Shopping Comparison Sites on Rise

By MICHAEL LIEDTKE, AP Business Writer

SAN FRANCISCO — Laura Hanson relies on the Internet to make her a smarter shopper even when she isn't planning to buy online.

Before traveling to a conventional store, the San Francisco resident regularly visits an online comparison shopping site to explore prices and review product research so she won't need to embarrass herself with store clerks.

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"With these (shopping comparison) sites, I can ask lots of stupid questions in the privacy of my own home," said the 27-year-old Hanson.

Yahoo Inc. runs Hanson's favorite comparison site -- just one of many free Internet services that churn out pricing guides and other helpful insights about everything from iPod accessories to kitchen sinks.

The comparison sites are expected to play a central role in the upcoming holiday shopping season when Forrester Research predicts some 2.5 million U.S. households will buy merchandise online for the first time.

To grab more consumer eyeballs, they've laid on new features. Some are tracking more merchandise, others using the latest technology to alert shoppers to moneysaving deals or warn them about fraud risks. Still others supplement their price comparisons with product reviews and hard-to-find coupons.

"We are entering a new era (in comparison shopping)," said Rob Solomon, general manager of Yahoo's shopping site. "Now, we are all trying to figure out ways to differentiate ourselves."

All told, U.S. consumers are expected to spend \$18 billion shopping on the Internet between Thanksgiving and Christmas, a 25 percent increase from last year, Forrester estimates.

Feeling the pinch of higher gasoline and home heating bills, even consumers leery of Internet shopping are more likely to visit comparison sites to help steer them toward nearby brick-and-mortar stores with the best deals, predicts e-commerce analyst Heather Dougherty of Nielsen/NetRatings.

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All the major comparison sites are free to use; they generate revenue primarily from referral fees for sending prospective customers to online merchants. It's a formula that's attracting big bucks as more consumers rely on the comparison sites.

The two most popular such sites, Shopzilla (formerly BizRate) and Shopping.com, were recently acquired in separate deals worth more than \$1.2 billion.

Meanwhile, venture capitalists have financed another wave of entrepreneurs promising to introduce even more useful shopping tools.

Michael Yang and his business partners have already raised \$11.7 million for their 9-month-old site, Mountain View, Calif.-based Become.com.

By coupling professional product reviews with pricing guides, Yang is confident he can do even better with Become.com than he did with his first comparison shopping site, MySimon, which he started in 1998 and sold to CNet Networks Inc. for \$678 million in 2000.

"Comparison shopping really is on the verge of becoming a mainstream service," Yang said.

Other new-wave comparison sites include:

- * FatLens.com, which has raised \$8 million in venture capital and believes it has come up with a more effective way of finding the best deals for consumers;
- * Dulance, which enables users to create wish lists and receive electronic notices of hot deals through RSS Web feeds;
- * ConsumerClub, eDeals and CouponCabin, which all serve up rebates and coupons from a wide assortment of retailers;
- * Dealio, which offers a shopping toolbar that alerts shoppers when they are about to buy something available at a lower price elsewhere on the Web;
- * SquareTrade, which offers a shopping sidebar that patrols the prices of online auctions and provides fraud protection.

"We haven't seen a terrible amount of innovation in comparison shopping during the past four or five years," said Talmadge O'Neill, co-founder of Smarter.com, another newcomer to the field. "We are still in the early days. There is a huge pie out there yet to be had."

As they angle for a bigger piece of the action, even long-established comparison sites are rolling out improvements designed to make themselves even more appealing.

Yahoo's shopping channel, shopping.yahoo.com, for instance, is now offering prices and information for about 90 million products, up from 60 million a year ago.

The Sunnyvale, Calif.-based company also is encouraging more social interaction on its shopping site by asking consumers to post lists of their personal recommendations. Yahoo plans to set up a system in which a consumer will receive a slice of Yahoo's commission if those recommendations send visitors to a merchant.



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Besides Yahoo's shopping channel, Shopzilla and Shopping.com, other top shopping comparison sites include Google Inc.'s Froogle.com, PriceGrabber, NexTag and ShopLocal.

This group accounted for the bulk of the 49.3 million people who visited comparison sites during September, an 8 percent increase from 45.8 million at the same time last year, according to the most recent data from Nielsen/NetRatings.

At the top of the shopping cart, Shopzilla and Shopping.com each lured nearly 15 million U.S. visitors in September, Nielsen/NetRatings said.

In deals completed during the summer, Cincinnati-based newspaper publisher E.W. Scripps Co. bought Shopzilla for \$570 million and online auctioneer eBay Inc. paid \$685 million for Shopping.com.

Though they are attracting more traffic, none of the comparison sites so far have been able to establish themselves as indispensable e-commerce hubs. Most online shoppers still begin their research on the home page of a major Internet search engine, such as Google Inc. or Yahoo, forcing the comparison sites to advertise heavily to attract traffic.

"It's been a challenge for any of these sites to engender any kind of consistent loyalty so far," Dougherty said.

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