AMERICA'S online retailers collectively made a profit last year for the first time as sales jumped a better-than-expected 51 per cent, an industry survey found.

Online sales surged to $US114 billion ($161 billion) last year, surpassing forecasts of $US96 billion. Sales were fuelled by the travel category, according to an annual survey of 150 retailers conducted by Shop.org, the online arm of the National Retail Federation, and Forrester Research, an internet research company.

The online retailers broke even in 2002 as sales, which include those from brick-and-mortar and catalogue companies as well as strictly web-based companies, totalled $US76 billion, the survey says.

“This positions online retailing as a real profit engine for retailers,” said Scott Silverman, executive director of Shop.org. Mr Silverman said that typical brick and mortar stores have an operating profit margin of between 3 per cent and 10 per cent compared with 21 per cent margins among the online retail shops.

The report, published annually since 1997, is considered one of the most comprehensive assessments of the health of the online retailing industry. It offers a wider measure of online retail sales than the Department of Commerce reports, as it includes transactions from travel, event tickets and auctions.

Excluding travel, online sales increased 34 per cent to $US71.8 billion last year.

Survey officials declined to disclose the names of the merchants polled, but said 45 per cent of online retailers surveyed had $US10 million in revenues or more.

Still, online revenues represent a small portion of total retail sales, 5.4 per cent in 2003. But online sales are rapidly gaining share in certain categories, such as computer hardware and software, where 43 per cent of sales last year were over the internet.

Mr Silverman said online retailers, particularly the web-based merchants, were able to achieve better profitability by slashing marketing costs per order. Those retailers reduced their costs to $US2 per order in 2003 from $US10 per order in 2002. That was due largely to companies’ increasingly paying search engines for prominent placement in consumers’ keyword search results.

The study projects online retail sales should increase 27 per cent to $US144 billion in 2004. In certain categories, online sales are expected to expand more than 40 per cent. As more women shop online, health and beauty should see a 61 per cent increase, apparel should expect a 42 per cent jump, and flowers, cards and gifts should post a 41 per cent gain this year, the report says.

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