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Evolving European Trends in e-Commerce

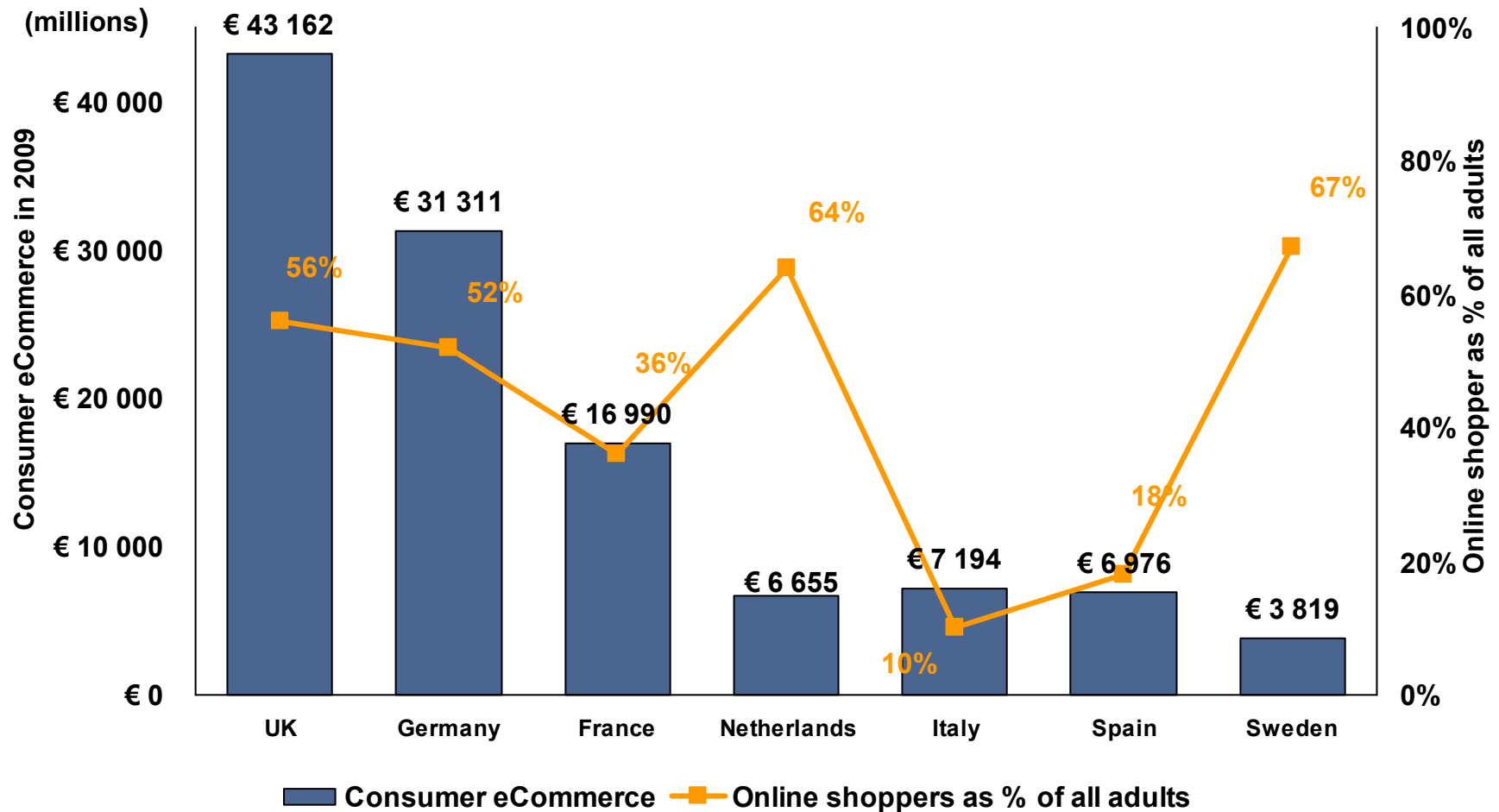*Delivering Smarter Brand Experiences Using Social & Mobile Computing*

Thomas Husson
Senior Analyst

IBM WebSphere Commerce Leadership Summit, London, October 4, 2010
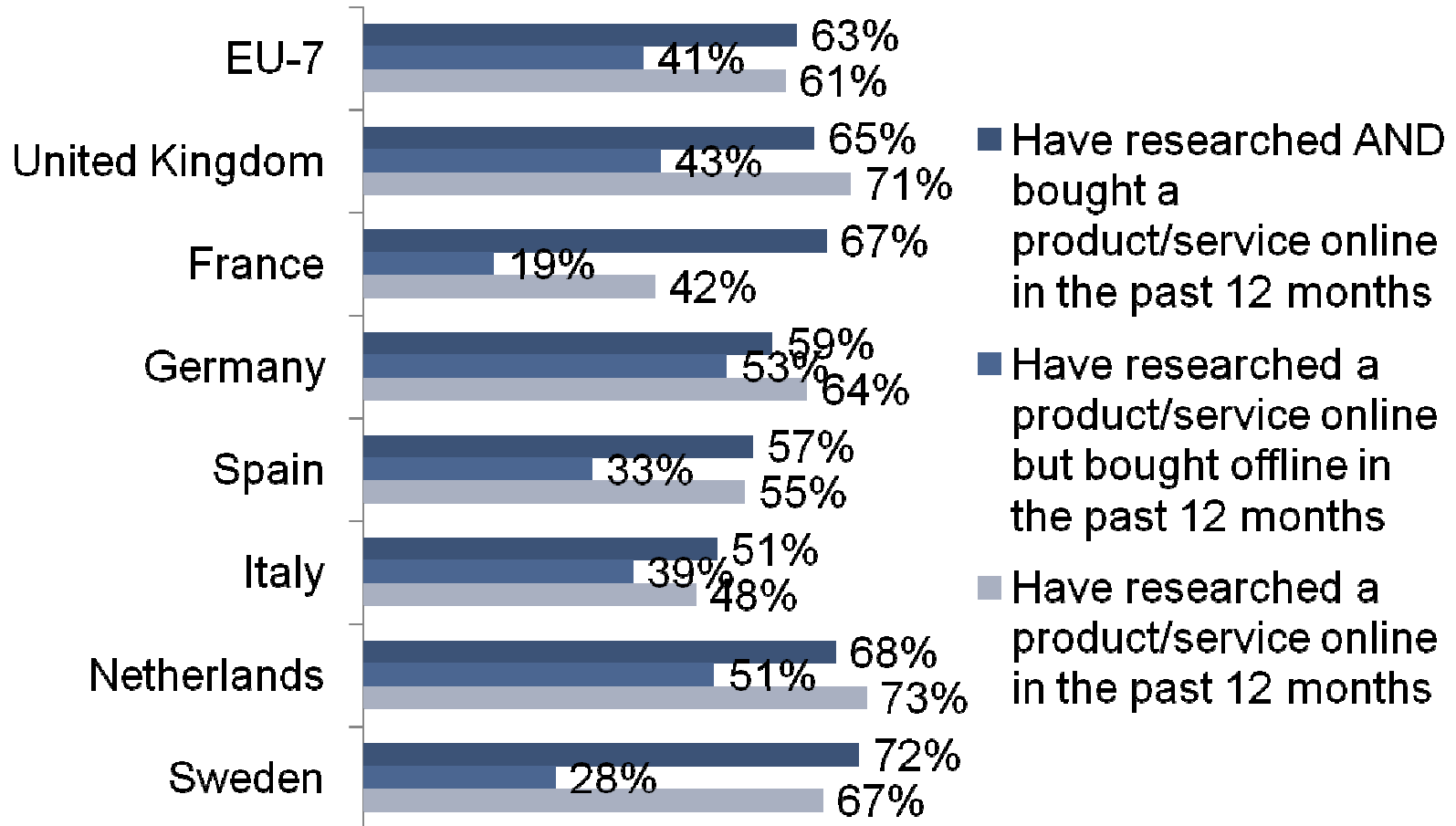
Agenda

- Overview of the e-commerce market in Europe

- Leveraging social computing and location to deliver more targeted brand experiences

- Focus on the emerging mobile commerce opportunity

- What does it mean for your e-commerce strategy?

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UK, Germany, and France account for nearly 80% of consumer eCommerce spending

(millions)

Consumer eCommerce in 2009

Online shopper as % of all adults

€ 43 162 — UK — 56%
€ 31 311 — Germany — 52%
€ 16 990 — France — 36%
€ 6 655 — Netherlands — 64%
€ 7 194 — Italy — 10%
€ 6 976 — Spain — 18%
€ 3 819 — Sweden — 67%

Legend: Consumer eCommerce | Online shoppers as % of all adults

4

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41% of European online adults researched online but bought offline in the past year

Thinking now of the past 12 months, which of the following have you done?

EU-7: 63%, 41%, 61%
United Kingdom: 65%, 43%, 71%
France: 67%, 19%, 42%
Germany: 59%, 53%, 64%
Spain: 57%, 33%, 55%
Italy: 51%, 39%, 48%
Netherlands: 68%, 51%, 73%
Sweden: 72%, 28%, 67%

Legend:
- Have researched AND bought a product/service online in the past 12 months
- Have researched a product/service online but bought offline in the past 12 months
- Have researched a product/service online in the past 12 months

Base: European adults who have ever bought products online
*Base: European adults who bought products online in the past 3 months

Source: European Technographics® Benchmark Survey, Q2 2009

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Most eCommerce is local
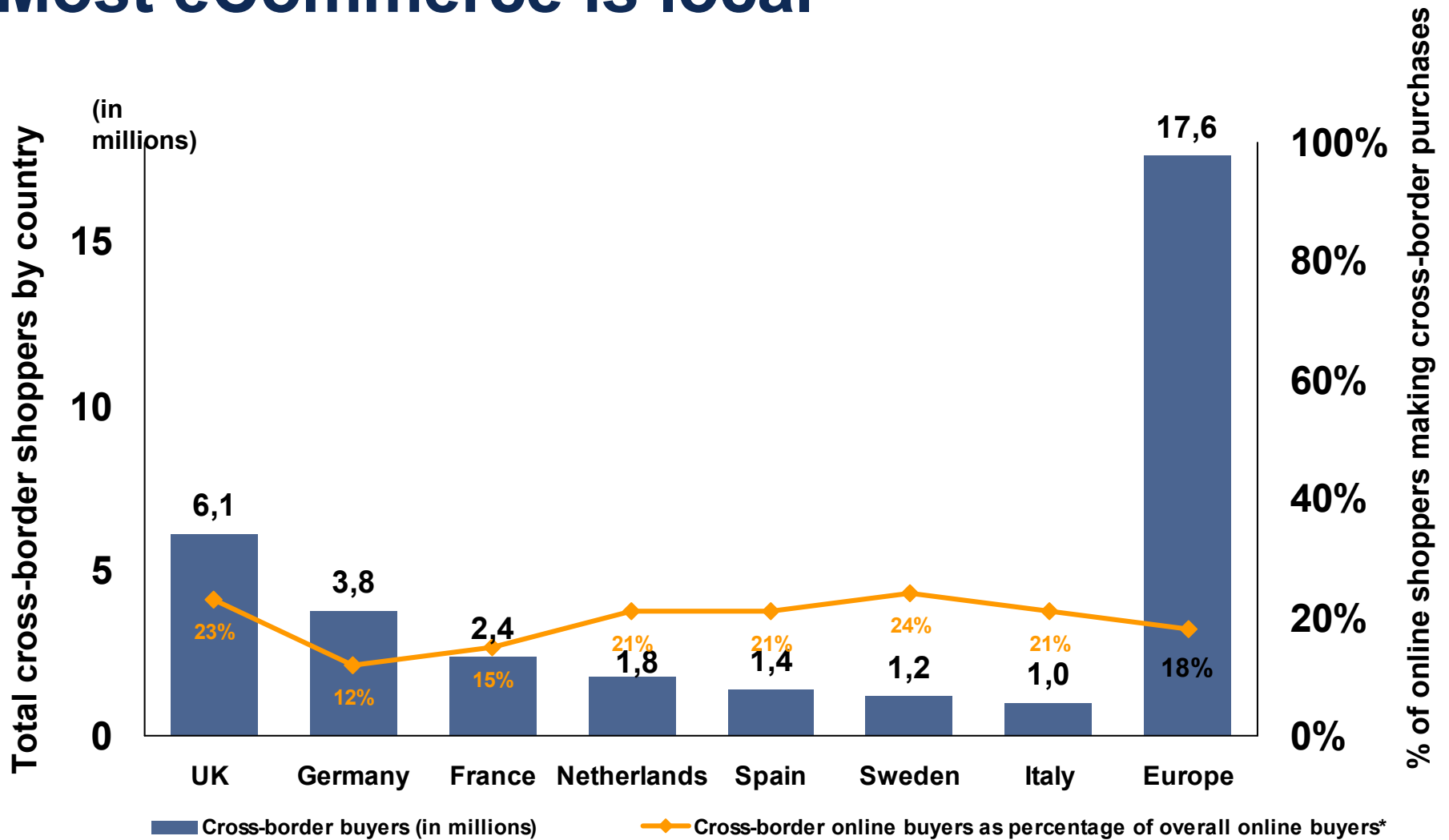
Base: 1,574 European cross-border buyers
*Base: 5,399 European online buyers

Source: European Technographics Benchmark Survey, Q2 2009

Use the right tools to support a more complex eCommerce environment
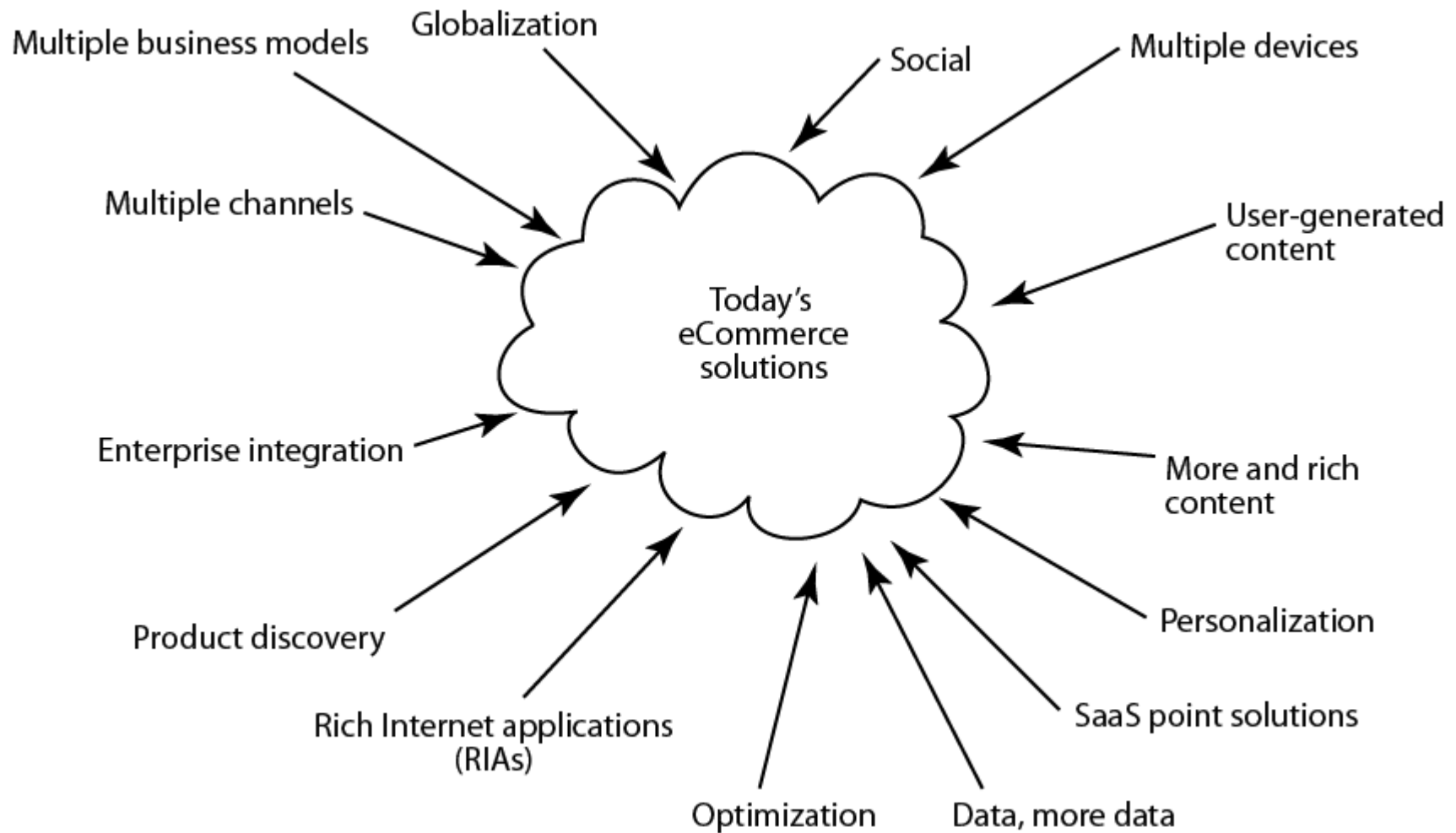
Trends

- Growth in multichannel buying and selling

- Increased seasonality of online sales

- Increased efficiency and shift to digital advertising (vs traditional print, TV, radio)

- Increased use of voice of the customer

- International expansion of multichannel sellers

- Increased interest in transparency around "green" and "healthy" initiatives

Technologies

- Personalization and 1:1 messaging expansion

- Video and rich internet applications

- Live chat and "efficient" servicing of shoppers; remote customer service

- Social commerce; crowdsourced content; co-shopping capabilities

- Mobile research and commerce growth

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Key forces shaping eCommerce technology

Multiple business models

Globalization

Social

Multiple devices

Multiple channels

User-generated content

Today's eCommerce solutions

Enterprise integration

More and rich content

Product discovery

Personalization

Rich Internet applications (RIAs)

SaaS point solutions
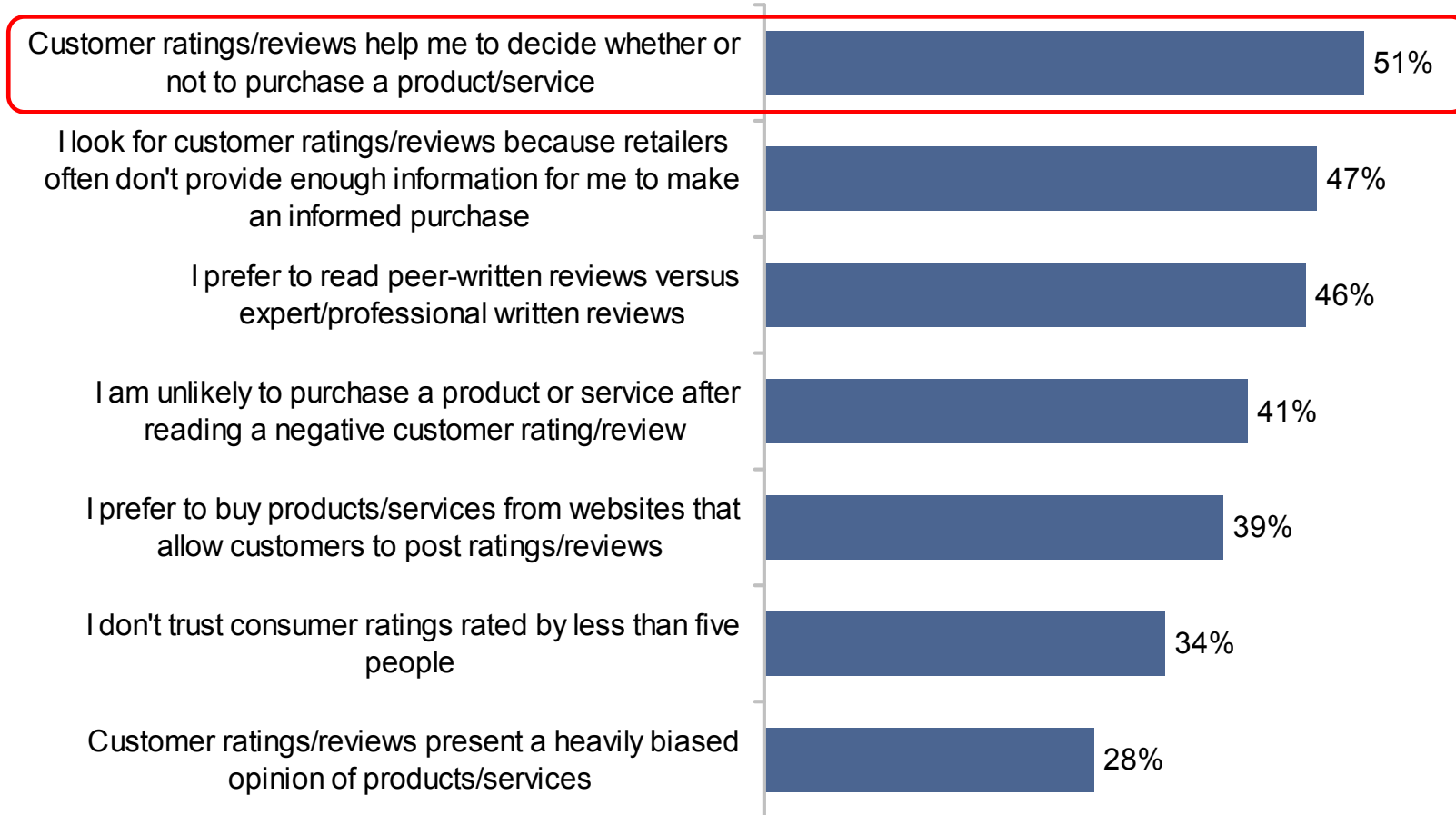
Optimization

Data, more data

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User ratings and reviews today play a significant role in the path to purchase

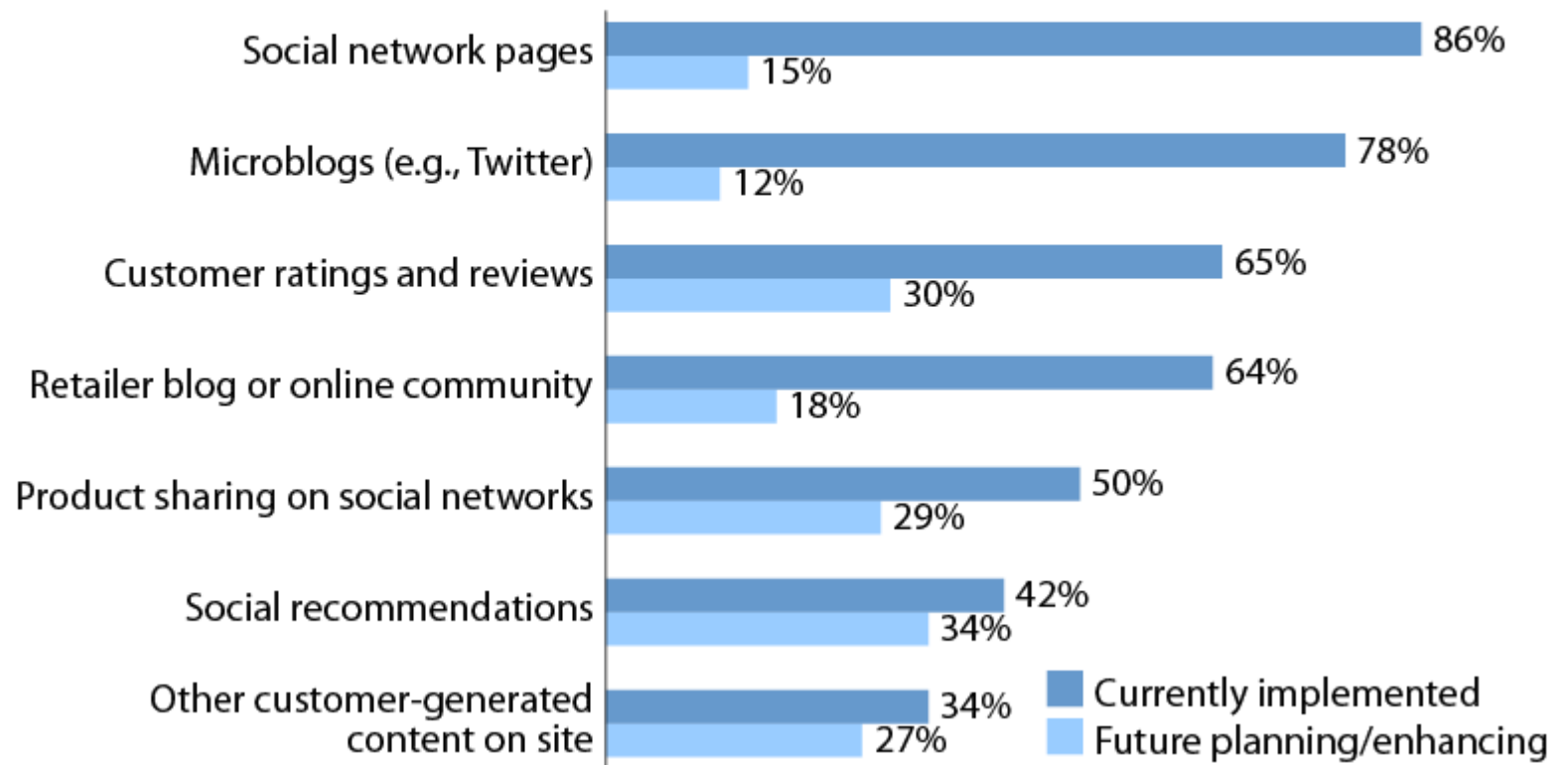**Please indicate to what extent you agree with each of the following statements:***

Statement	%
Customer ratings/reviews help me to decide whether or not to purchase a product/service	51%
I look for customer ratings/reviews because retailers often don't provide enough information for me to make an informed purchase	47%
I prefer to read peer-written reviews versus expert/professional written reviews	46%
I am unlikely to purchase a product or service after reading a negative customer rating/review	41%
I prefer to buy products/services from websites that allow customers to post ratings/reviews	39%
I don't trust consumer ratings rated by less than five people	34%
Customer ratings/reviews present a heavily biased opinion of products/services	28%

Base: European online buyers

* Percentage who responded 4 or 5 on a scale of 1 (strongly disagree) to 5 (strongly agree)

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Majority of retailers are implementing social marketing strategies

"Please indicate which social marketing strategies you have already implemented."
"Please indicate which social marketing strategies you plan to implement or enhance in 2010 or later."

Strategy	Currently implemented	Future planning/enhancing
Social network pages	86%	15%
Microblogs (e.g., Twitter)	78%	12%
Customer ratings and reviews	65%	30%
Retailer blog or online community	64%	18%
Product sharing on social networks	50%	29%
Social recommendations	42%	34%
Other customer-generated content on site	34%	27%

Base: 102 online retailers
(multiple responses accepted)

Source: "The State Of Retailing Online 2010," a Shop.org study conducted by Forrester Research

H&M customers can create a look, share it and buy it

B2B Players also increasingly incorporate social tools to aid product adoption

Source: Putnam Investments (http://www.putnam.com)

However, social tactics are perceived as experimental

"To what extent do you agree with the following statements?"
(4 or 5 on a scale of 1 [strongly disagree] to 5 [strongly agree])

Statement	Percent
We are pursuing social marketing strategies because this is a great time to experiment and learn more about what they can do	80%
The returns on social marketing strategies are unclear	59%
We see the primary ROI from social marketing as listening to and better understanding our customers	50%
We are pursuing social marketing strategies because we do not want to be late movers	47%
We are pursuing social marketing strategies because there is tremendous buzz about them	41%
We are pursuing social marketing strategies because our competitors are	33%
We use a specific set of metrics by which to measure social marketing initiatives	31%
Social marketing strategies have helped to grow our business to date	28%
We are pursuing a social marketing strategy because our senior management has pressured us to do so	20%

Base: 102 online retailers
(multiple responses accepted)

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Localize store assortments will cater to regional preferences

- Need to develop a better understanding of localized shopping preferences

- Leverage new analytics capabilities tied to social media analysis as well as shopper loyalty programs

- Tailor assortments by geography at much more defined level than is possible today

- Cater to emerging differences between customer preferences at a store level

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Location-based social networks: a hint of mobile engagement emerges

Weekly usage: 1% of cell phone owners - maybe

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Social location will become an enabler

"Imagine what can happen when we mash up social networking and your location, when your device knows where you are, where your friends are and what they are doing. Your social location, or SoLo, will become your here-and-now-identity."

Nokia CEO Olli-Pekka Kallasvuo
(December 2008-Nokia World)

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Location will start enabling richer retail experiences

- Location: from a service to a key enabler of mobile social and marketing experiences

- Personalized services will be based on location as part of your context

- Retailers will experiment with location-based coupons and offering access to consumer ratings via mobile to drive traffic to shops and facilitate in-store purchase decisions.

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Influence consumers at the point of sale
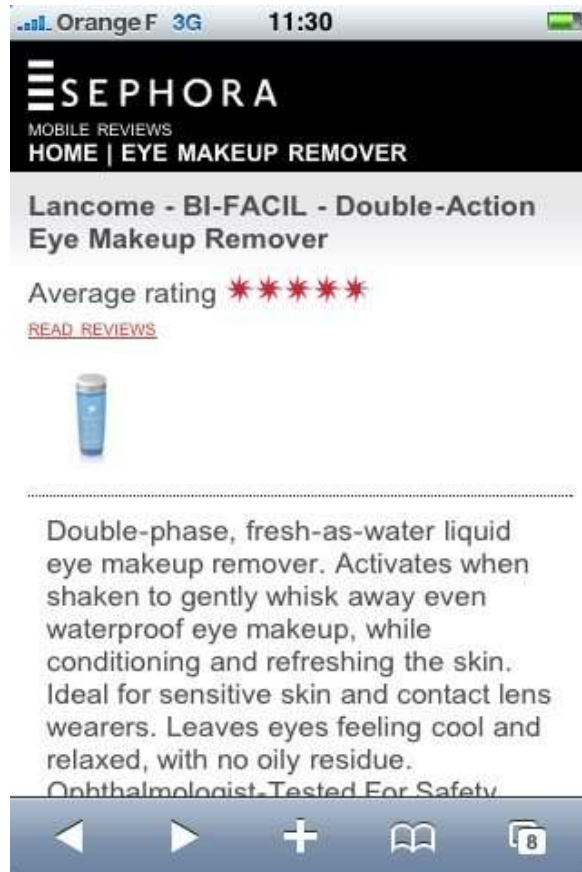
m.sephora.com

• Sephora launched in January 2009 a mobile service to assist shoppers in-store: Product reviews from peers at the point of sale

• Next steps are to:

-Reviews not only from peers but from your inner circle of trust (a subset of your social graph)
- Obtain real-time information on products
- Benefit from mobile coupons and reductions based on your tastes and past behaviors

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Mobile will become the new 24*7 digital hub

Organizer

Alerts

Banking

Payment

Commerce

Health

Ticketing

Voice

SMS

E-mail / MMS

Communicate

Control

IM / chat

Parking

Social networks

Maps

Search

Create

Consume

Blogs

Web browsing

Pictures

News

Ringtones

Games

Video

TV

Music

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iPhone / App Store: catalyzing and showcasing brand innovation and initial direct to consumer initiatives

• **Rich media environment & savvy mobile users**

• **>100M cumulative shipments of iDevices worldwide**

• **> 250,000 applications and 6,5 billion downloads**

• **iAD: Apple's new mobile advertising platform, combines « the emotion of TV ads with the interactivity of web ads »**

European mobile buyers are early adopters

	Online Buyers (bought online in past 3 months)	Online Buyers that purchase products on mobile at least monthly
% Male	52%	63%
Average age (years)	40	33
Upper Income	37%	47%
Upper Education	40%	42%
Own a smartphone	22%	69%
Mean spend online in the past 3 months	€270	€378
Agree with 'I like technology'	39%	58%
Sample Size	**10061**	**147**

Source: European Technographics® Benchmark Survey, Q2 2010
Base: European online buyers (bought products or services online in past 3 months)
Smartphone defined as: Apple iPhone, Blackberry, HTC, Palm, Android OS, Nokia N/E Series or Windows OS

Technographics® FORRESTER

The mobile web is uncharted territory for many online retailers

11-2 **Companies are split between mobile-optimized sites and apps**

"Which of the following best describes your mobile eCommerce?"

Nothing special; our site is unoptimized	55%
A special site optimized for mobile browsers	35%
iPhone app	33%
SMS	14%
Android app	8%
BlackBerry app	8%
Third-party partnership (e.g., Cellfire)	8%
Other mobile app	4%
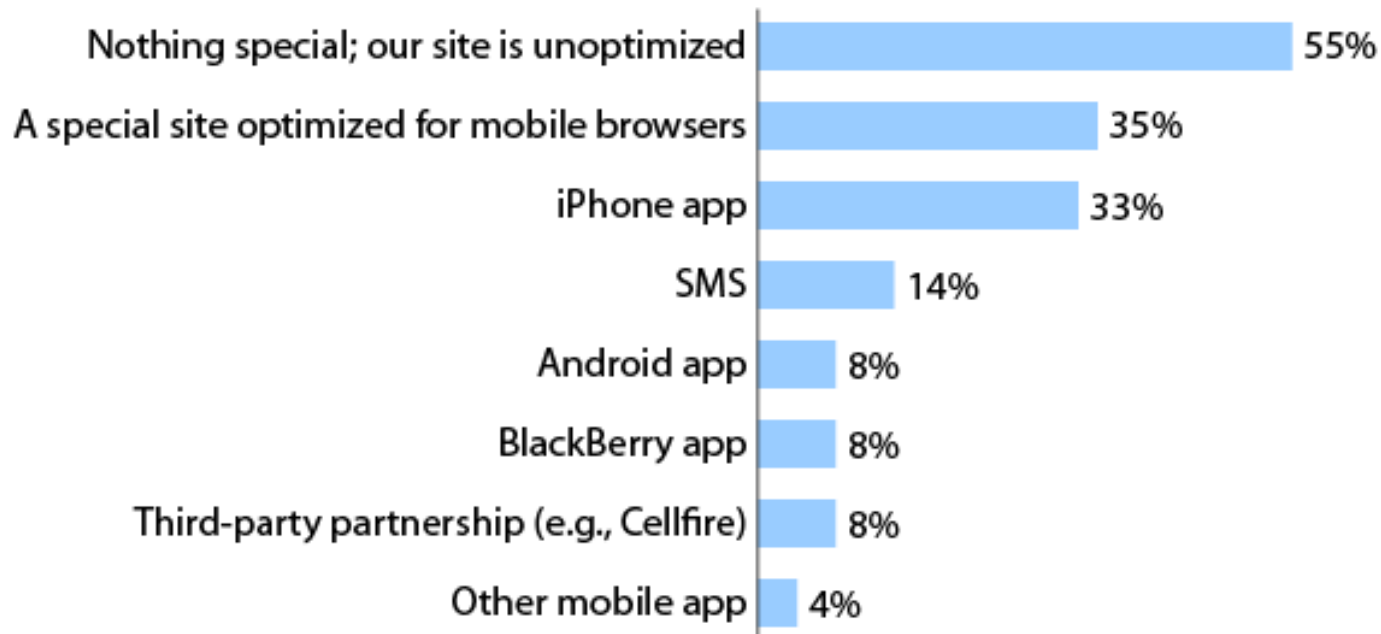
Base: 80 online retailers that have a mobile presence
(multiple responses accepted)

Source: "The State Of Retailing Online 2010," a Shop.org study conducted by Forrester Research

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Auctions and time-sensitive offerings lend themselves well in the mobile environment
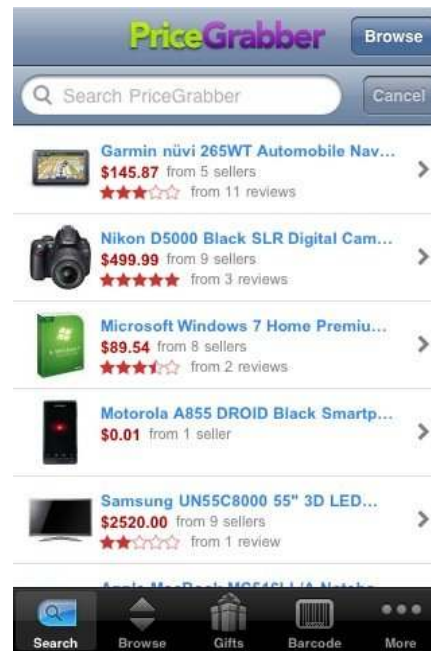
E-BAY expects mobile users to generate between $1,5 billion and $ 2 billion in transactions by the end of 2010

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Standardization will take a few more years but new technologies will enable rich in-person mobile marketing

Franprix France

Nestlé Japan

Mobile commerce is moving beyond the trial stage

Lack of a convenient user-experience

Need to establish a clear business model / ROI for mobile

Lack of measurement and performance tools

Mobile commerce spending

Consumers' uptake of data services

Growing interest of retailers and brands

Growing availability of payment options (in-app, operator billing, contactless payments…)

Individual, contextual (location-based), and behavioral targeting capabilities

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Brands are just starting to build their mobile consumer presence

% of European mobile users

PC-Internet rate in 1999

Year	%
2008	13%
2009	17%
2010	22%
2011	26%
2012	30%
2013	35%
2014	39%

Source: Forrester Research Western European Mobile Forecast, 2009 to 2014

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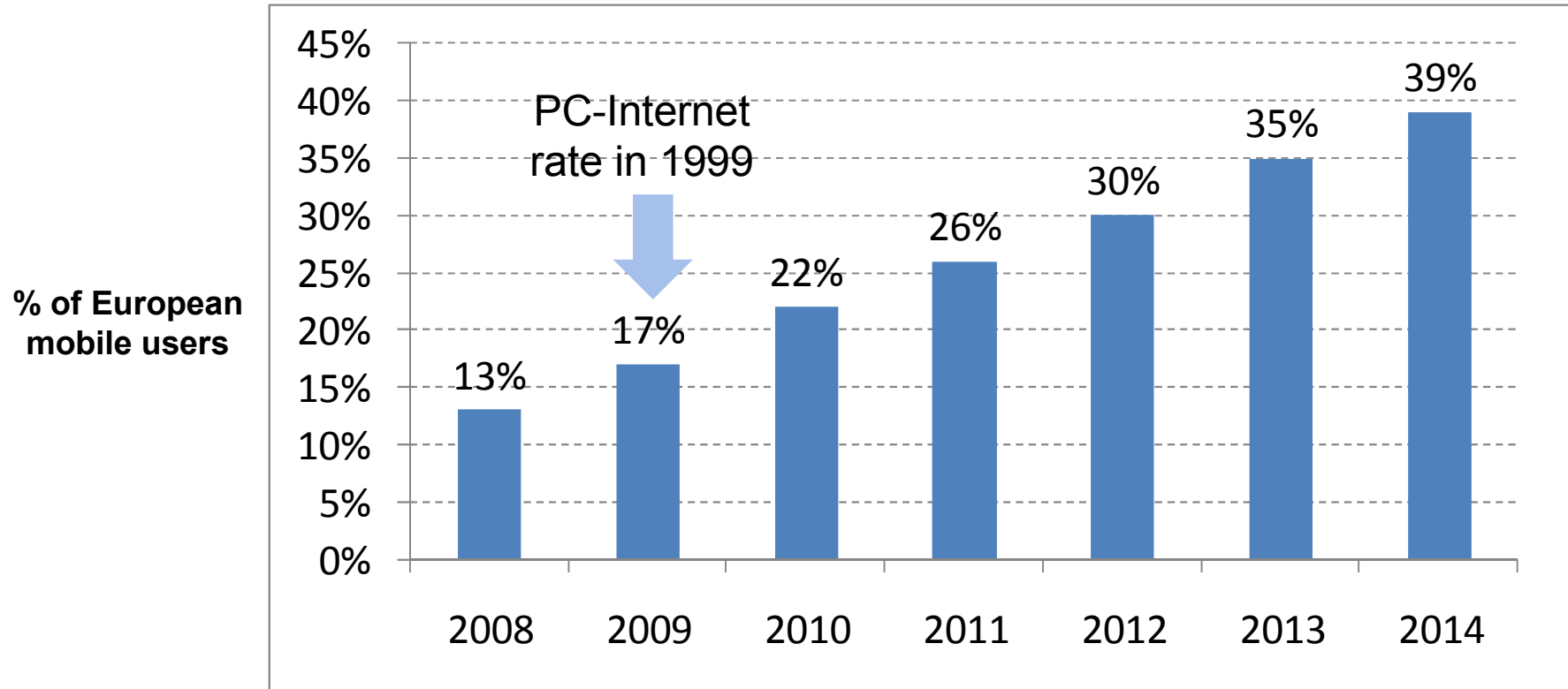
Most retailers are very early in their mobile planning

"Which of the following best describes your mobile strategy today?"

More mature

| Category	Percentage
Have a strategy, implemented it, now refining it	20%
Have a strategy and starting work	10%
Have a strategy	8%
Early stage; developing a strategy	36%
Don't have a strategy	26%

Less mature
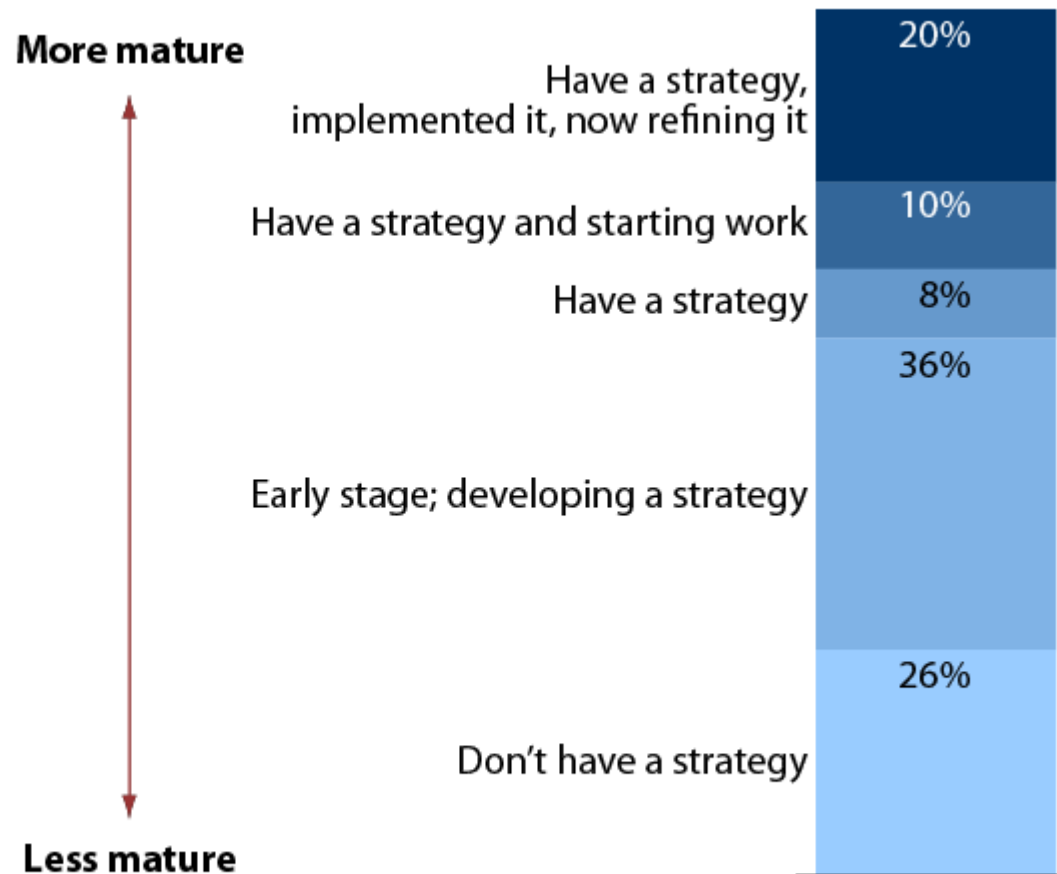
Base: 84 online retailers that have a mobile presence

Source: "The State Of Retailing Online 2010," a Shop.org study conducted by Forrester Research

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In this era of social saturation, segment your own approach

14%

Creators
- Publish a blog
- Publish your own Web pages
- Upload video you created
- Upload audio/music you created
- Write articles or stories and post them

31%

Conversationalists
- Update status on a social networking site*
- Post updates on Twitter*

21%

Critics
- Post ratings/reviews of products or services
- Comment on someone else's blog
- Contribute to online forums
- Contribute to/edit articles in a wiki

10%

Collectors
- Use RSS feeds
- Vote for Web sites online
- Add "tags" to Web pages or photos

41%

Joiners
- Maintain profile on a social networking site
- Visit social networking sites

54%

Spectators
- Read blogs
- Listen to podcasts
- Watch video from other users
- Read online forums
- Read customer ratings/reviews
- Read tweets

32%

Inactives
- None of the above

Social Technographics - European Technographics Mail Benchmark Survey Q2 2010

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Start first by understanding your own customers' behavior and localize your approach

Increasing mobile sophistication →

Segment	EU	UK	France	Germany	Spain	Italy	Netherlands	Sweden	Poland
SuperConnecteds	12%	**22%**	10%	6%	8%	10%	16%	**20%**	9%
Entertainers	19%	**26%**	15%	15%	**21%**	18%	19%	**27%**	18%
Connectors	7%	6%	5%	6%	6%	8%	7%	**12%**	4%
Communicators	36%	38%	31%	32%	35%	**42%**	**42%**	**41%**	**47%**
Talkers	30%	21%	32%	**39%**	32%	29%	29%	20%	14%
Inactives	10%	8%	**18%**	10%	8%	4%	4%	4%	**17%**

Mobile Technographics - European Technographics Mail Benchmark Survey Q2 2010

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You need to plan and anticipate new behaviors at the point of sale

Which of the following would you be interested in doing via your mobile phone?

To compare prices when shopping in a store
- 22%
- 46%

To locate a nearby store to buy a specific product
- 15%
- 33%

To find or redeem a coupon/coupon code
- 15%
- 25%

To look up product information while shopping in a store
- 13%
- 31%

To check on the status of an order
- 11%
- 28%

Legend:
- ■ 25/34 years old
- ■ iPhone owners
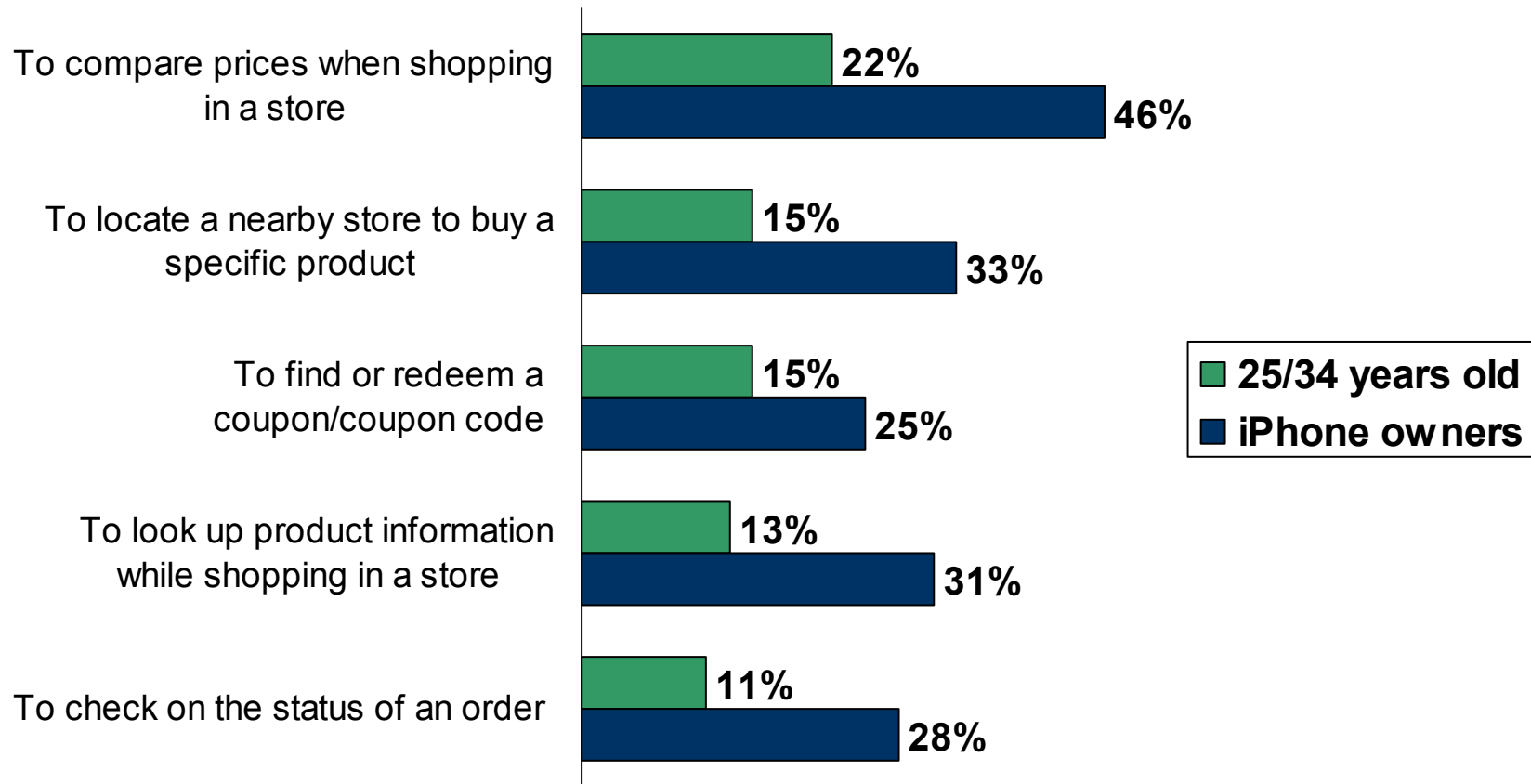
Base: 1, 172 Europeans aged 25/34 who own a mobile phone and 460 European iPhone owners

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But don't forget the basics, stick to the tactics that work best

"Which of the following were your top three most effective sources used to acquire customers in 2009?"
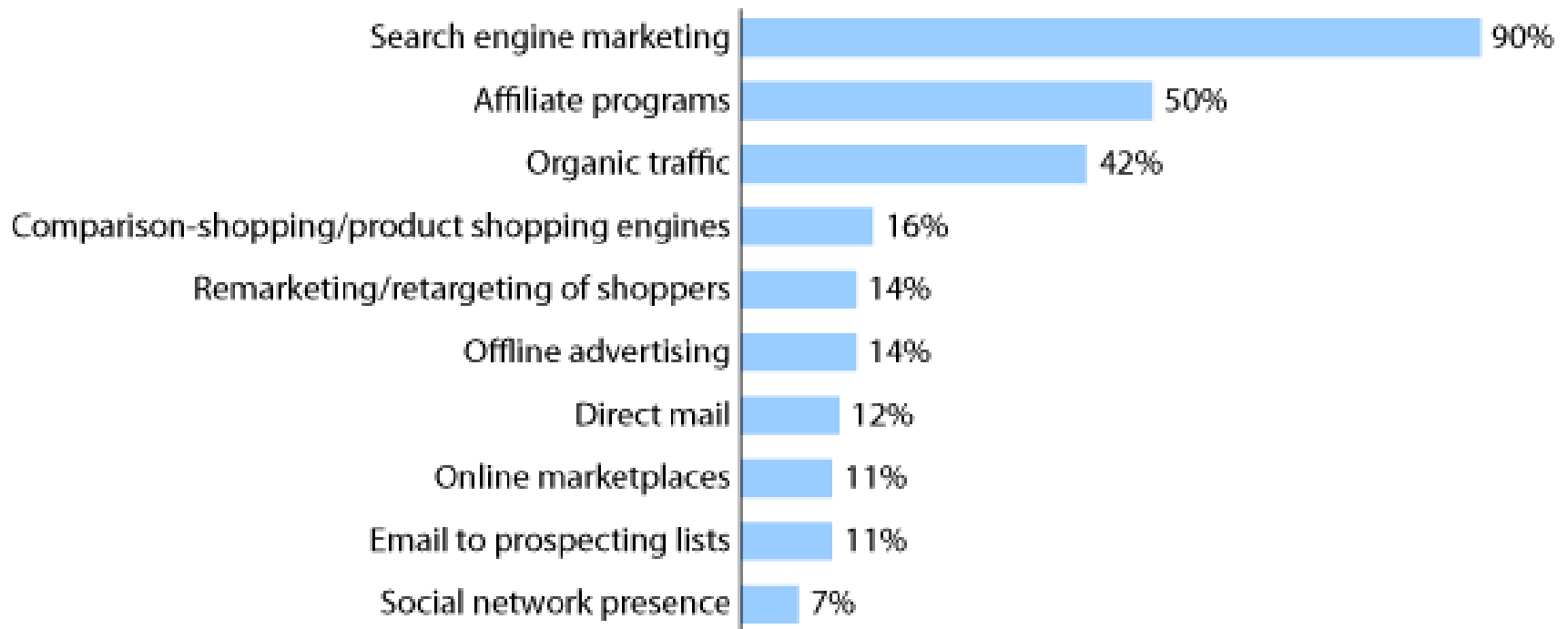
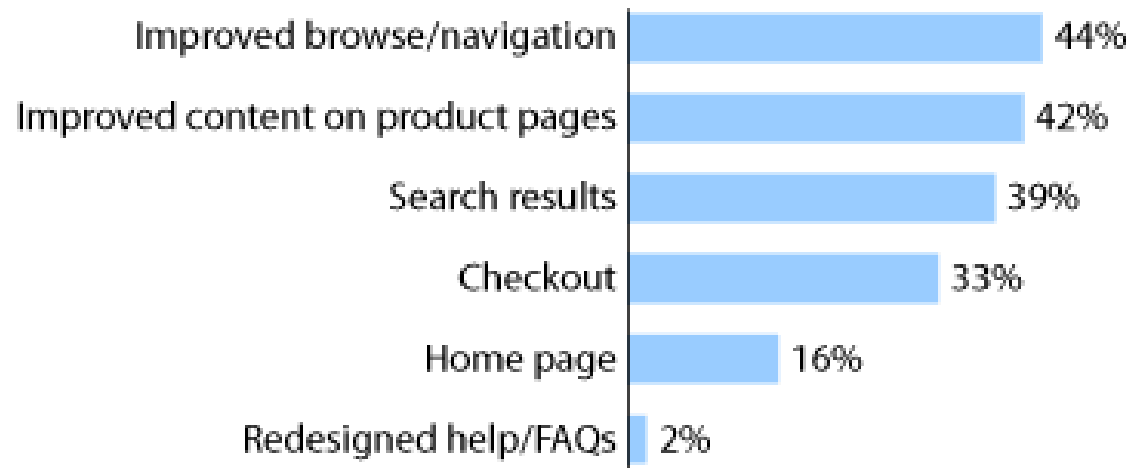|	
Search engine marketing	90%
Affiliate programs	50%
Organic traffic	42%
Comparison-shopping/product shopping engines	16%
Remarketing/retargeting of shoppers	14%
Offline advertising	14%
Direct mail	12%
Online marketplaces	11%
Email to prospecting lists	11%
Social network presence	7%

Base: 102 online retailers
(multiple responses accepted)

Source: "The State Of Retailing Online 2010," a Shop.org study conducted by Forrester Research

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Excel at the fundamentals of ecommerce, not everyone does that today

"In thinking about the following site development initiatives planned for 2010, please tell us the two areas that you will prioritize most heavily"

Initiative	Percentage
Improved browse/navigation	44%
Improved content on product pages	42%
Search results	39%
Checkout	33%
Home page	16%
Redesigned help/FAQs	2%

Base: 108 online retailers
(multiple responses accepted)

Source: "The State Of Retailing Online 2010," a Shop.org study conducted by Forrester Research

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Argos facilitates customer cross-channel interaction via immediate in-store pick-up

Argos

Latest Price Cuts £

> Customer services > Check & Reserve

Customer services

Shopping at Argos
> Audio catalogue
> Channel island deliveries
> Check & Reserve
> Contact us & FAQs
> Credit options
> Home delivery
> How to use this site
> My account FAQs
> Online exclusives
> Order tracking
> Privacy policy
> Returns & refunds
> Security
> Sign in & registration
> Site map
> Store locator
> Terms & conditions
> Voucher codes

Product information
> Argos Spares
> Buying guides
> Freesat

Check & Reserve

The easiest way to shop

A great ... store. ...

Check & ... immediat...

Any item ... you from ...

» How to ...
» Other ...

How to ...

Step 1: Add to trolley
Click the 'Buy or Reserve' button to add the item(s) to your trolley.

Step 2: Choose to Reserve
In the trolley, select the 'Reserve for Store Pick-up' option.

Step 3: Check stock
We'll check if your chosen item(s) are in stock at your nearest store.

Step 4: Reserve
Enter your email address and your mobile phone number (if you'd like a free text message confirming your reservation details). You will then be given a unique number for your reservation.

Did You Know?

...once reserved, your items are available for immediate collection.

Q: "What if the product(s) I want to reserve are out of stock?"

A: "If the item(s) are out of stock, you can check other stores in your area"

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Key takeaways

- Understand your customers and define your objectives before jumping into technology choices

- Be realistic about mobile and social direct revenue opportunity

- Organize yourself to anticipate the broader impact these quickly evolving media will have on your multi-channel strategies

- Consider customer engagement as the future of retail

- Don't forget to fix the basics

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Thank you

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