



# State of the U.S. Online Retail Economy in Q4 2011

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*Note: A copy of this presentation will be sent to all attendees within 24 hours of today's webinar*

# Data sourced from comScore's global panel of 2 million Internet users via behavioral tracking and custom surveys

## 2 million person panel 360° View of Consumer Behavior



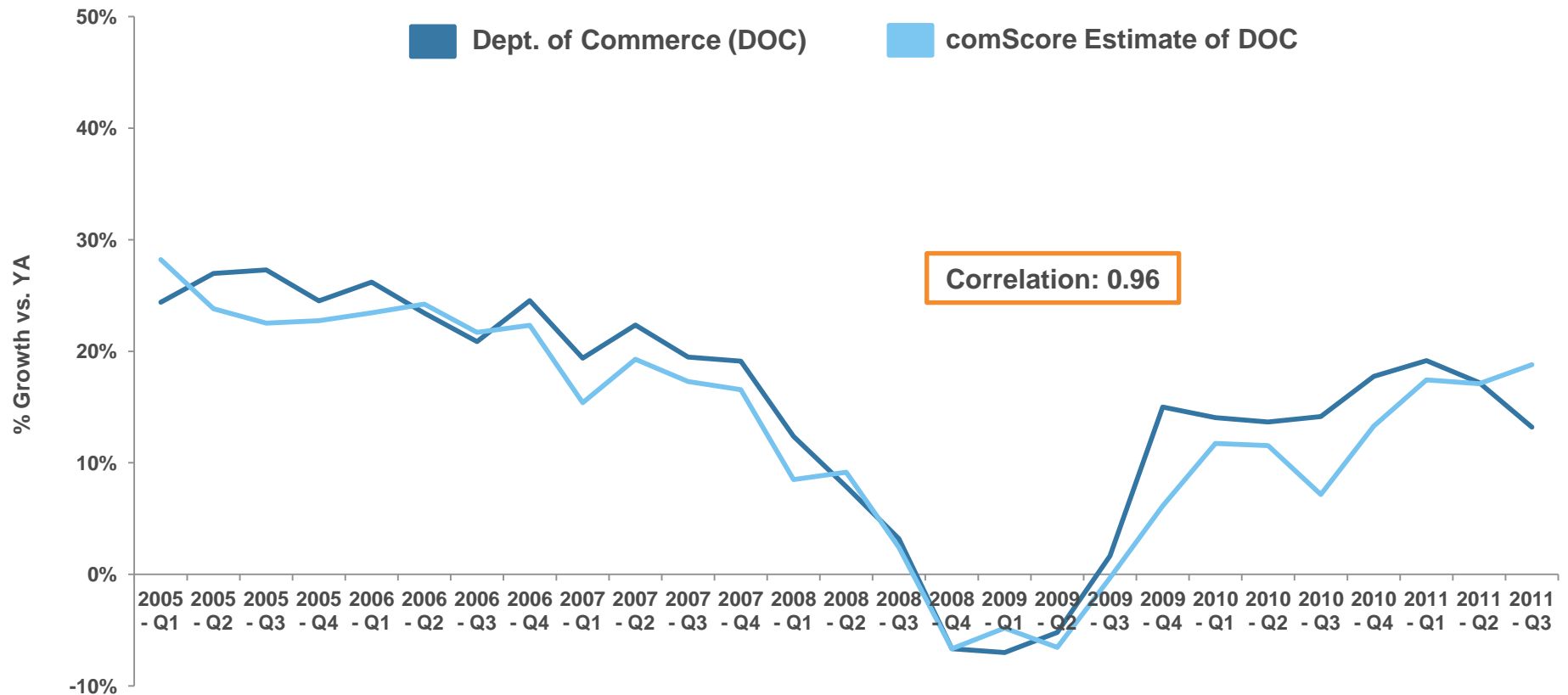
## Analysis Parameters

- E-commerce data includes all worldwide buying on U.S. sites
- Unless explicitly stated otherwise, the term e-commerce refers to online retail spending, as measured by comScore, which excludes travel, autos and auctions
- Behavioral activity through December 2011 measured via the fixed Internet
- Survey conducted week of January 30, 2012 (n=1083)
- **Consumer Measurements:**
  - Site Visitation
  - Online Buying
  - Attitudes and Sentiment
  - Demographic Segments
  - Mobile e-commerce
- **Retailer Views:**
  - Large vs. Small Retailers
  - Impact of Social Media

# Validation of comScore Sales Data: Comparison of comScore data to U.S. Department of Commerce

## Quarterly U.S. e-Commerce Growth\* vs. YA

Source: comScore & U.S. Department of Commerce (DOC)



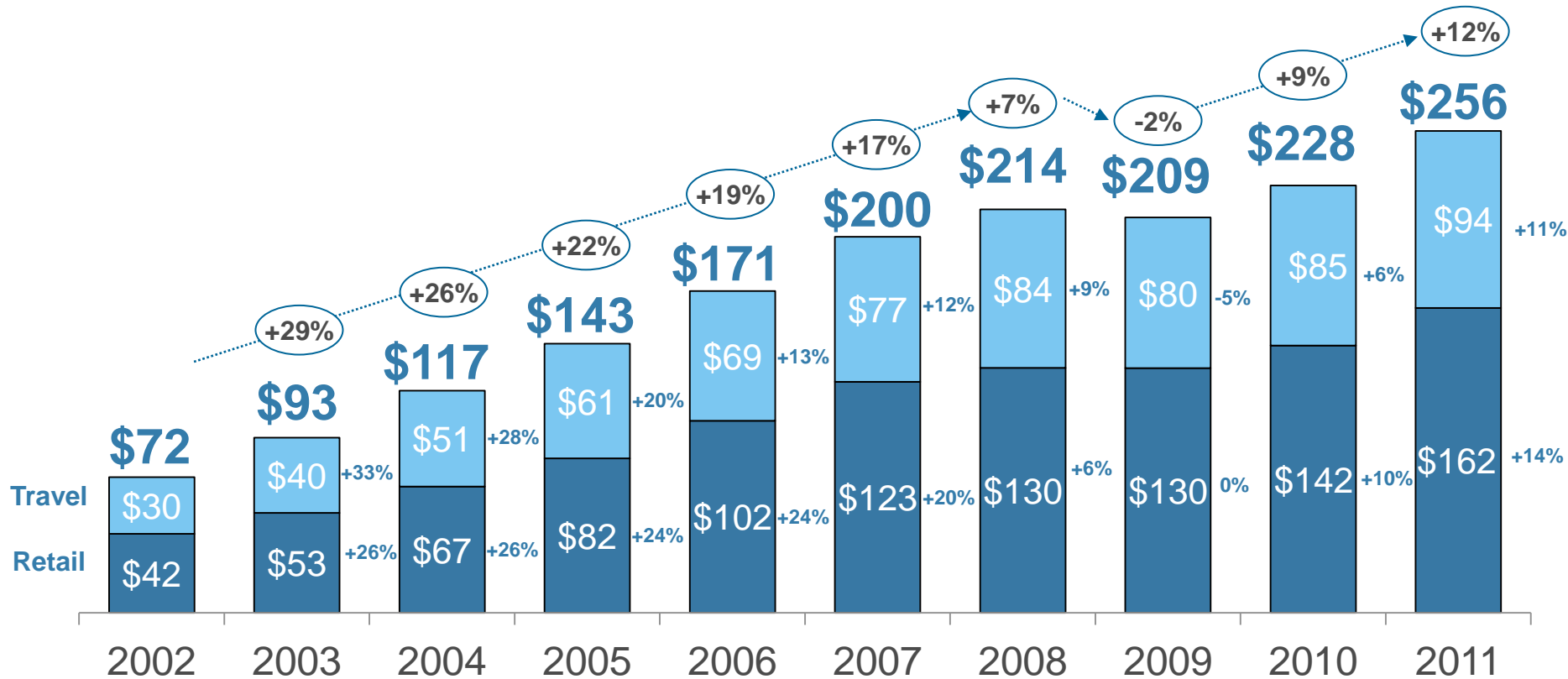
# State of the Economy

## *A Review of Key Macroeconomic Trends*

# Total e-Commerce spending continues to recover strongly from the recession, posting a +12% gain Y/Y in 2011. Retail e-Commerce up 14%

## U.S. e-Commerce Dollar Sales Growth (\$ Billions)

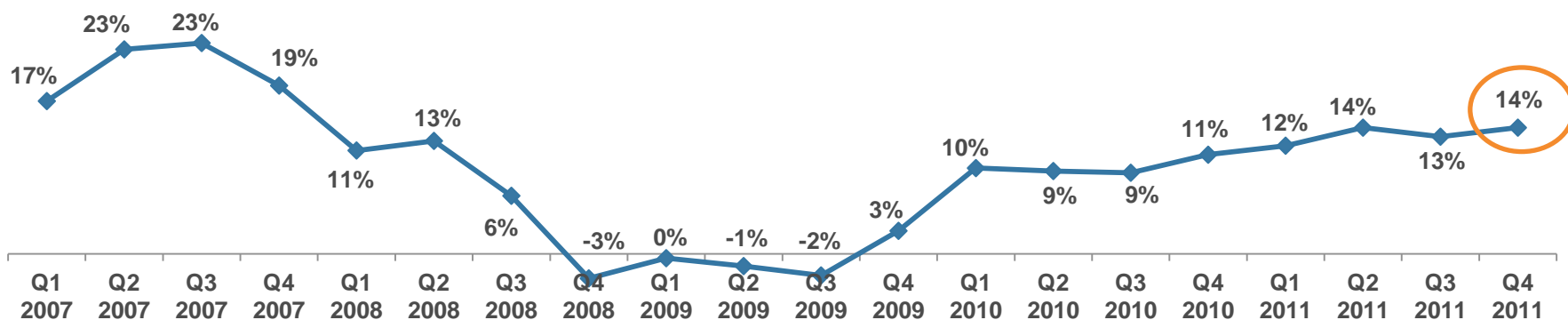
Source: comScore e-Commerce Measurement



# Channel shift accelerating: e-Commerce growth shows significant gains, nearly triple the growth rate of total retail in Q4 2011

## Quarterly e-Commerce Sales Growth vs. YA

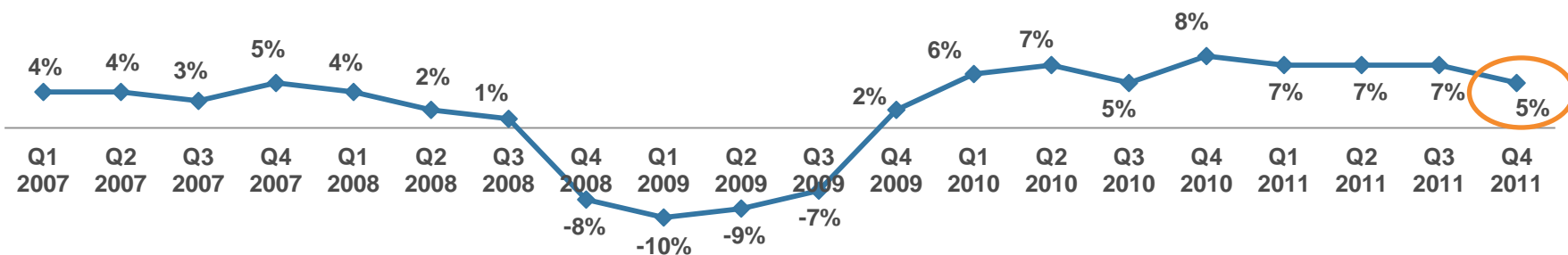
Source: comScore e-Commerce Measurement



## Quarterly Retail & Food Services Sales Growth\* vs. YA

Source: U.S. Department of Commerce (DOC)

When excluding autos, gas and food/beverage, Q4 2011 retail growth is up only **+3%** versus 2010

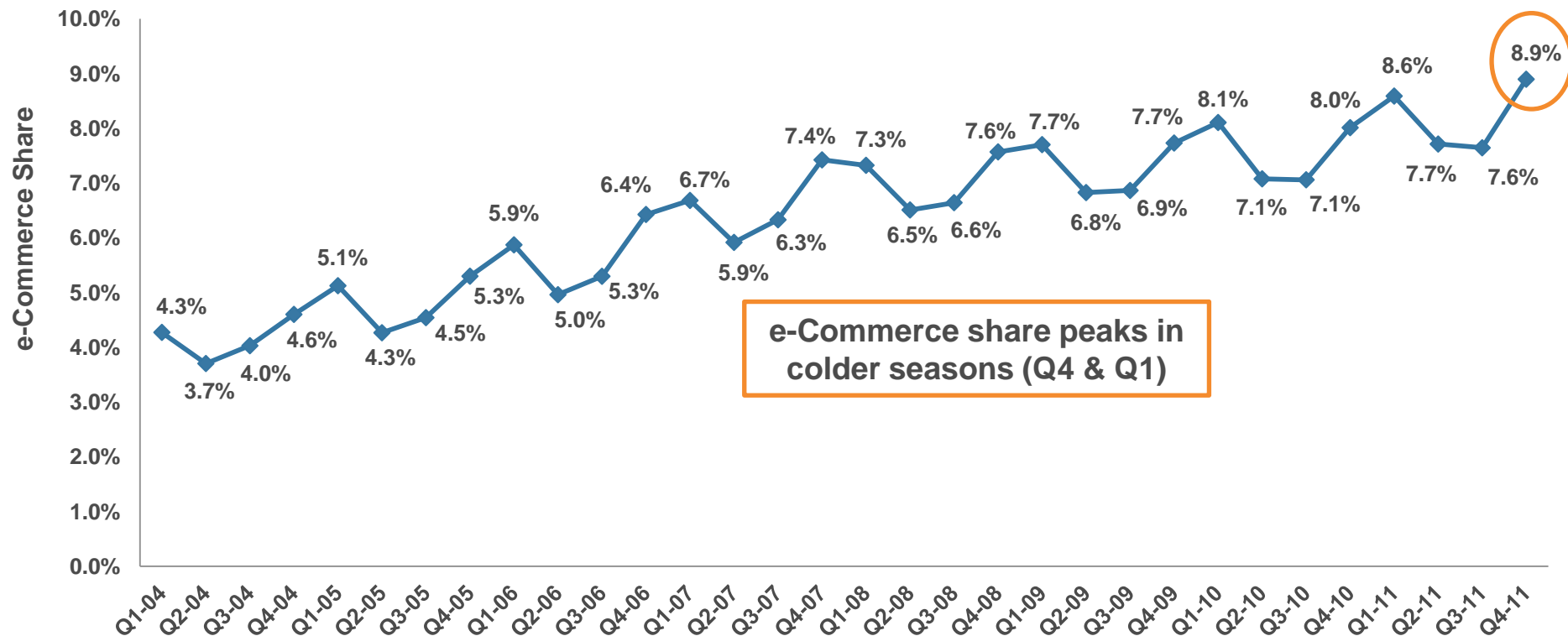


\*Note: The U.S. Department of Commerce calculation includes total retail and food service sales, which also includes motor vehicles and parts dealers.

# e-Commerce share of all consumer sales continues to grow, with almost one in every ten discretionary dollars spent online

## e-Commerce Share of Corresponding Consumer Spending\*

Source: comScore for e-Commerce & U.S. Department of Commerce (DOC) for Retail



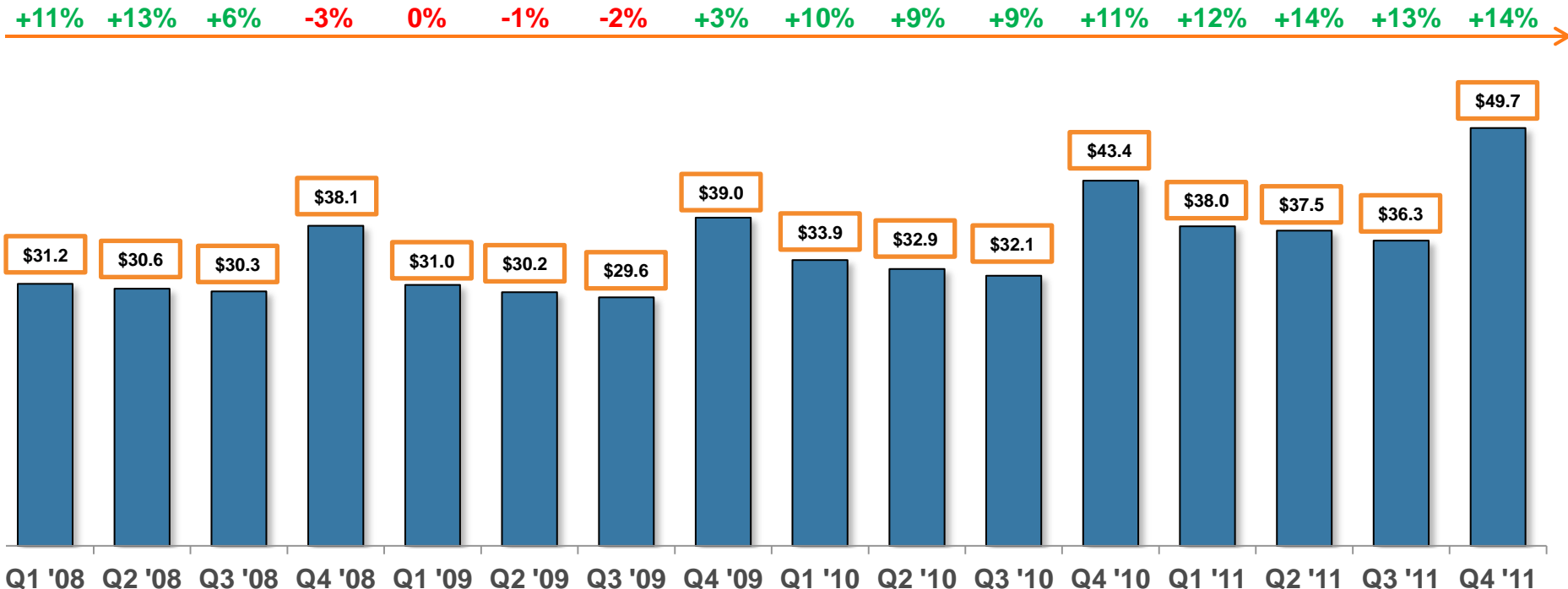
\*Note: e-Commerce share is shown as a percent of DOC's Total Retail Sales excluding Food Service & Drinking, Food & Bev. Stores, Motor Vehicles & Parts, Gasoline Stations and Health & Personal Care Stores.

# Overall e-Commerce dollar sales posted double-digit gains in every quarter in 2011, reaching almost \$50 billion in Q4

## e-Commerce Dollar Sales (\$ Billions)

Source: comScore e-Commerce Measurement

% Chg vs. YA



# Consumers earning \$100k+ showed double-digit e-commerce growth rates for the third consecutive quarter, while the middle class also grew at the best rate in more than a year

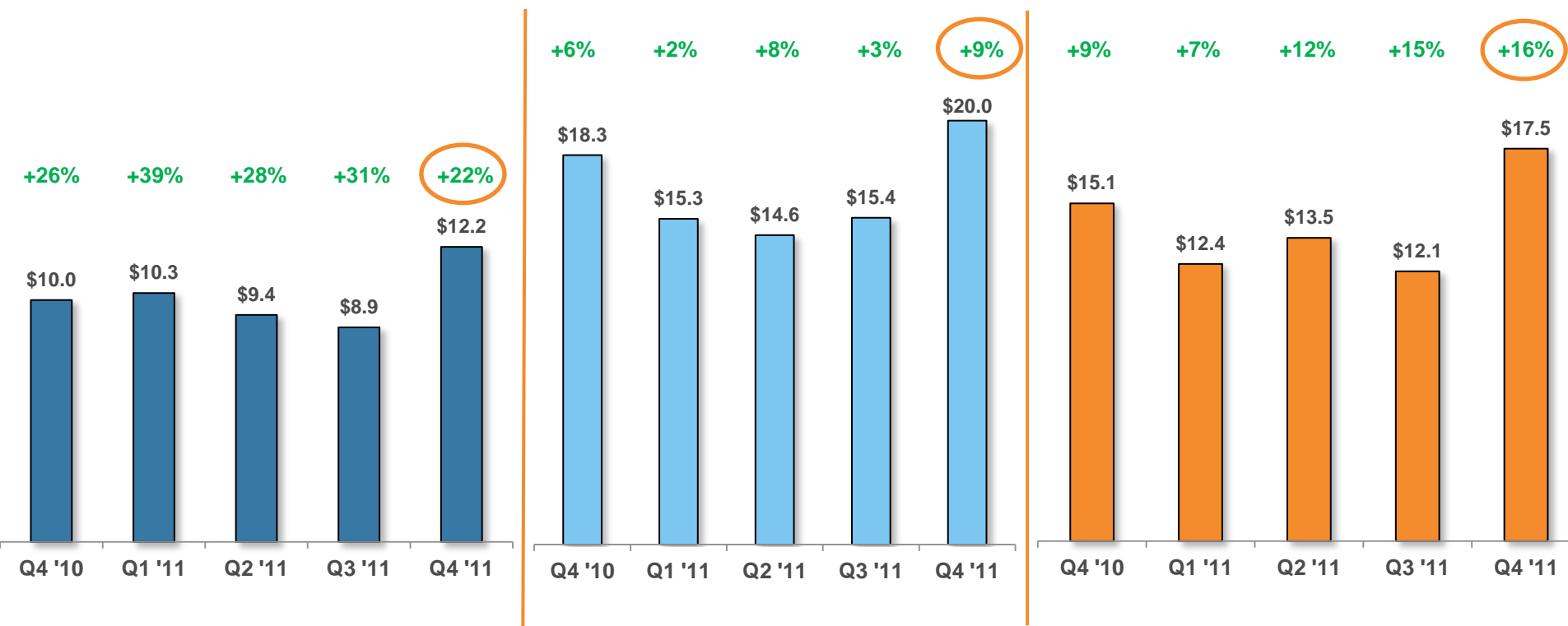
## e-Commerce Sales by Income Segment (\$ Billions) Growth vs. YA

Source: comScore e-Commerce Measurement

Under \$50K  
(23% of Total)

\$50K - \$99K  
(43% of Total)

\$100K or more  
(34% of Total)

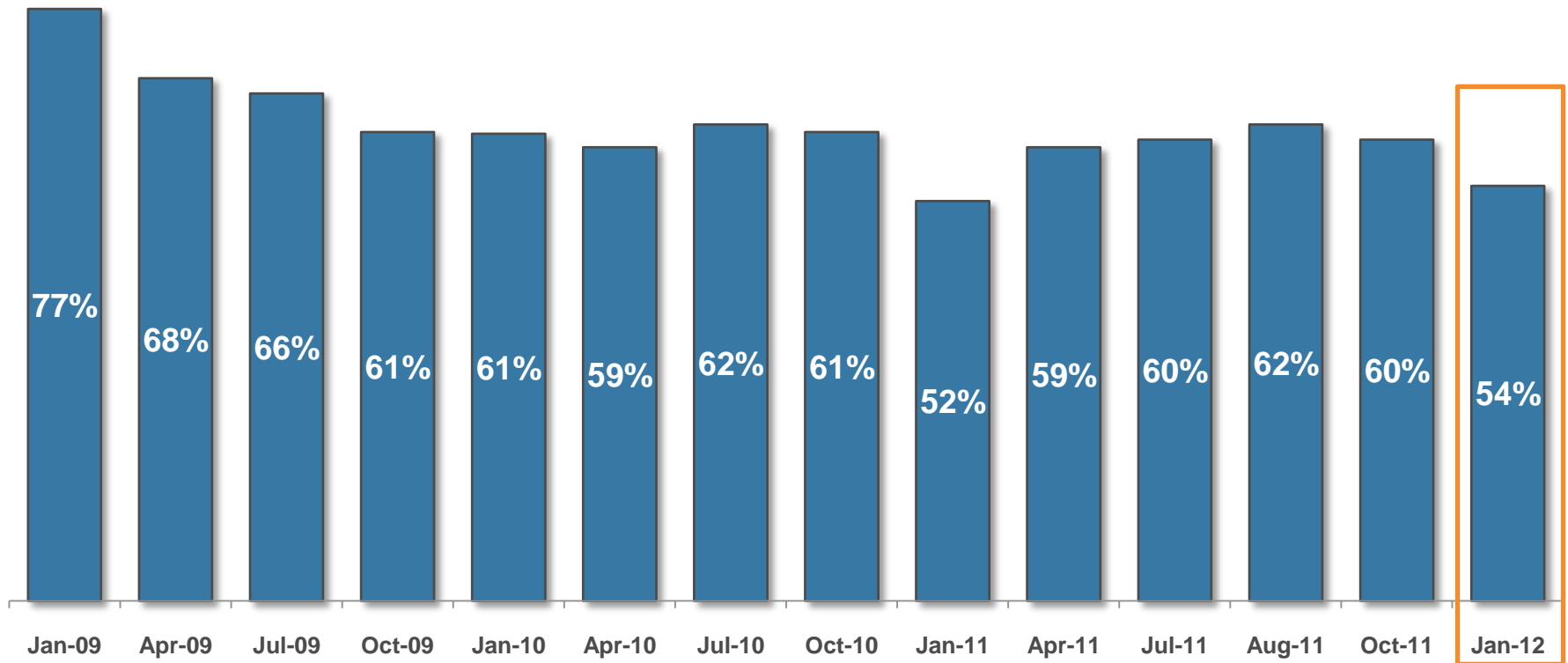


# Overall consumer sentiment has improved, with 54% stating the economy is in 'poor' condition (2nd lowest percentage since 2009)

## Percent of Consumers Who View The Economy as Poor

Q. How would you rate economic conditions today?

Source: comScore Surveys

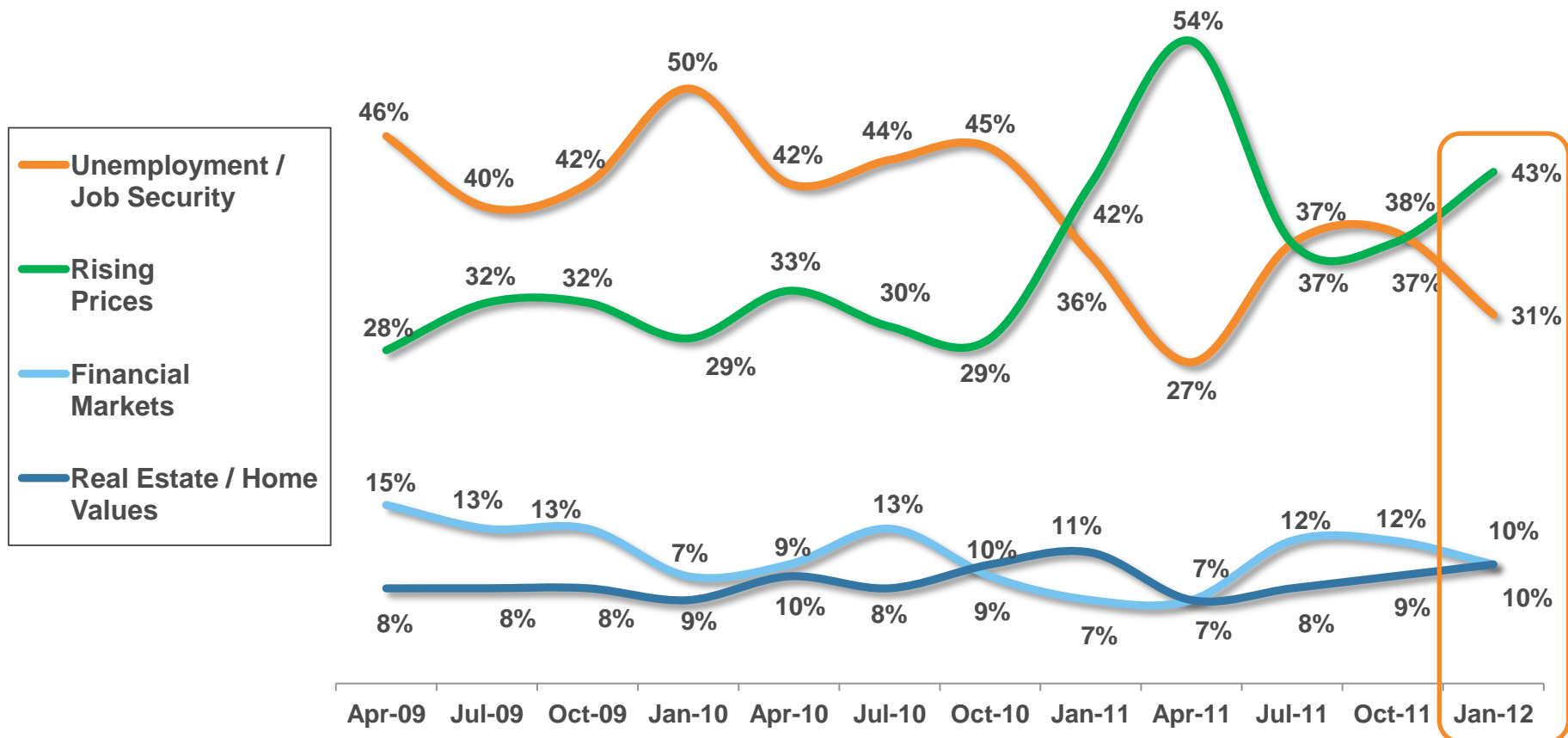


# Consumer concern over unemployment dropped to 31% in January

## Percent of Respondents Citing Their One Most Important Issue

Q. Based on your current situation, which one of the following economic conditions most concerns you?

Source: comScore Surveys

















# Retailer and Product Category Overview

# Most categories show strong growth in Q4 2011 versus Q4 2010

## Q3 2011 e-Commerce Sales Growth vs. YA by Retail Category

Source: comScore e-Commerce Measurement

Product Category	Relative Chg Growth Rate Q4 2011 vs. Q3 2011	Q4 2011 Growth vs. YA	
Digital Content and Subscriptions		Very Strong	Q4 growth rates of 15% or higher
Jewelry & Watches		Very Strong	
Consumer Electronics (x PC Peripherals)		Very Strong	
Sport & Fitness		Very Strong	
Computers/Peripherals/PDAs		Very Strong	
Apparel & Accessories		Very Strong	
Event Tickets		Strong	Q4 growth rates of 10-14%
Flowers, Greetings & Misc. Gifts		Strong	
Books & Magazines		Strong	
Video Games, Consoles & Accessories		Strong	
Furniture, Appliances & Equipment		Strong	
Consumer Packaged Goods		Strong	
Office Supplies		Moderate	Q4 growth rates of 5% to 9%
Home & Garden		Moderate	

# E-Commerce has shown growth in essentially every metric versus a year ago, including total buyers, dollars per buyer and average order value

## Key e-Commerce Buyer and Transaction Measures Q4 2011 vs. YA

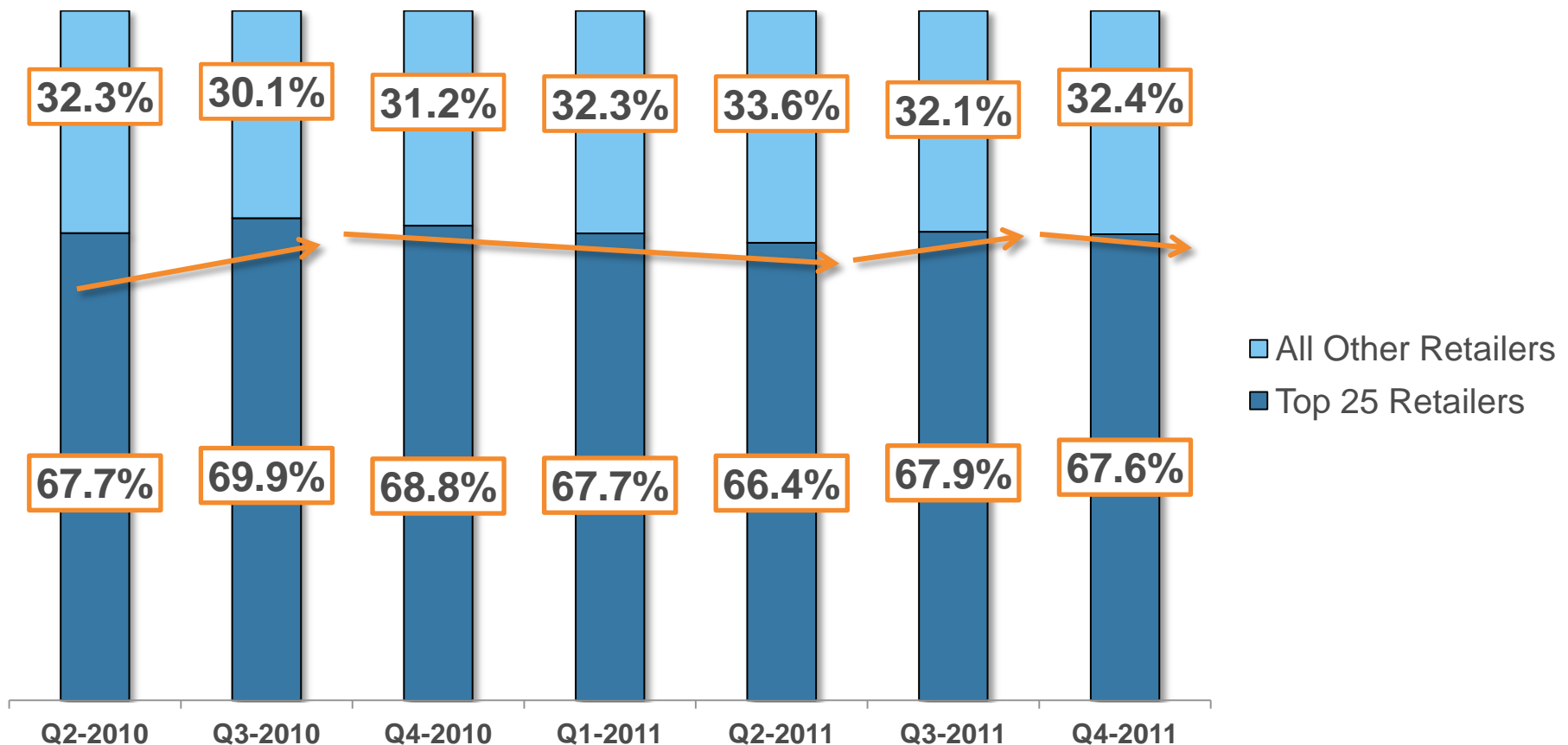
Source: comScore e-Commerce Measurement

Metric	Q4 2010	Q4 2011	% change
Dollar Sales (\$ Billions)	\$43	\$50	+14%
Dollars per buyer	\$261	\$272	+4%
Buyers (Millions)	166	182	+10%
Average Order Value	\$92	\$97	+6%
Transactions (Millions)	475	511	+8%
Transactions per Buyer	2.9	2.8	-2%
Buyer Penetration (Total Internet)	69%	74%	+7%

# Compared to 2010, smaller retailers gained share of quarterly e-Commerce sales versus the top-25 retailers

## Top-25 Retailers vs. All Other Retailers: Share of Quarterly U.S. e-Commerce Sales

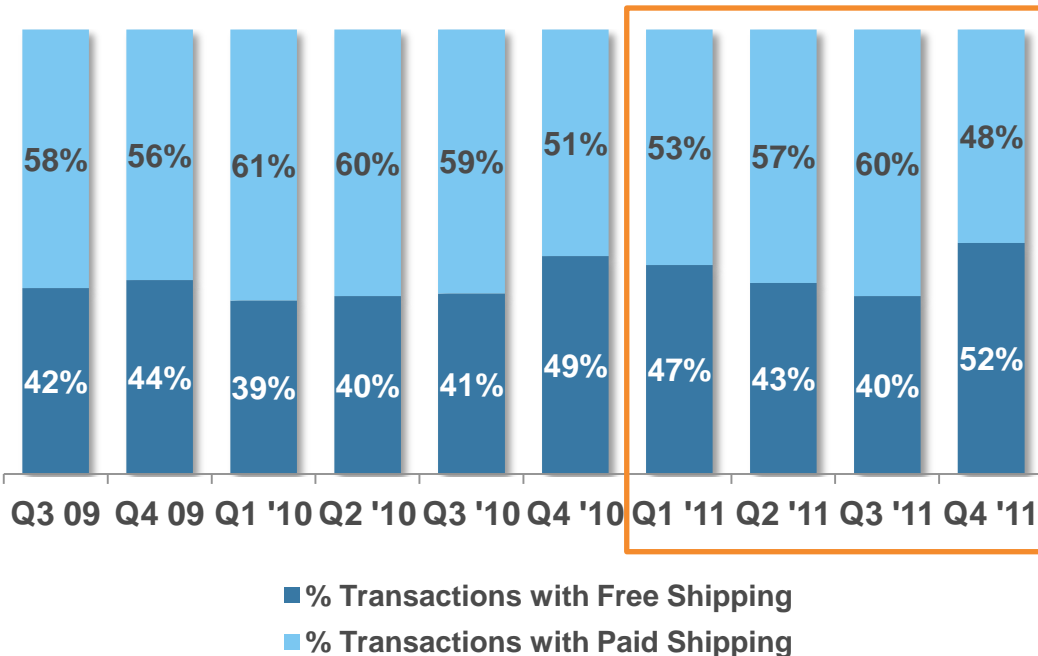
Source: comScore e-Commerce Measurement



# Over half of all online transactions included free shipping in Q4 2011, the highest level ever seen

## Percentage of e-Commerce Transactions with Free Shipping

Source: comScore e-Commerce Measurement



## E-Commerce Sales Are Booming, Thanks to Discounts and Free Shipping

By CLAIRE CAIN MILLER | December 6, 2011, 8:00 AM | 4



Matt Cardy/Getty Images

An Amazon fulfillment center.

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Online, at least, shoppers are spending money. Lots of it.

People have spent \$18.7 billion on e-commerce sites so far this holiday shopping season, 15 percent more than last year during the corresponding days, according to comScore. They spent \$6 billion the week that ended Dec. 2, including Black Friday and [Cyber Monday](#), and spent more than \$1 billion on three separate days that week, after breaking the billion-dollar mark for the first time on Cyber Monday last year.

But retailers are paying for the surge in spending by offering discounts and free shipping.

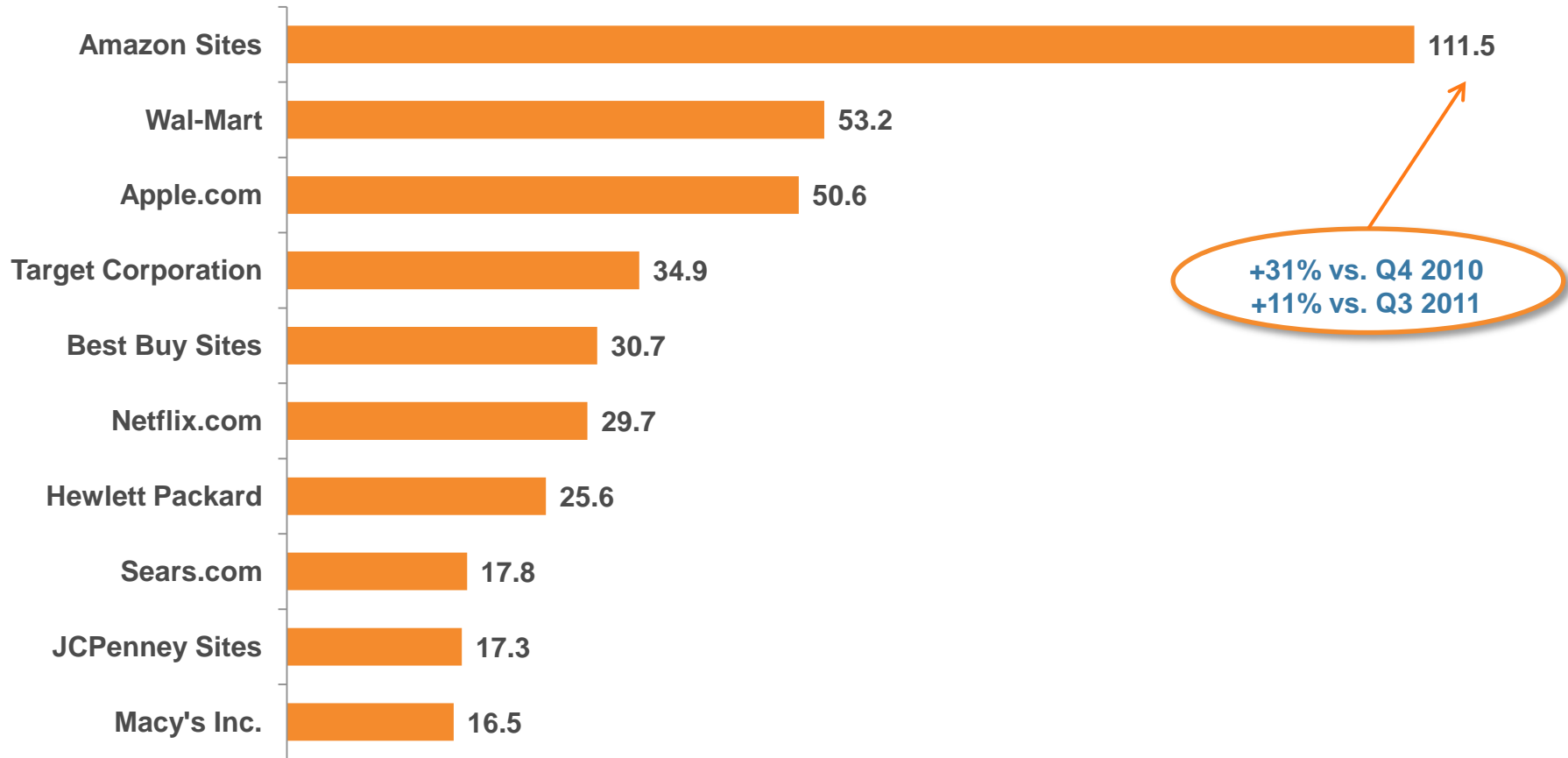
They have offered free shipping, which Web shoppers have [grown accustomed to](#), at record levels, comScore said. Almost two-thirds of holiday purchases during the heavy shopping weeks before and after Thanksgiving included free shipping, about 10 percentage points higher than last year.

54% of consumers stated in a recent survey\* that if they reached the end of an e-Commerce transaction and free shipping was not offered, **they would cancel their purchase**

# Amazon sites continue to break their own records, reaching 111 Million UVs in Q4, a 31% increase from 2010

## Avg. Monthly UVs (MM) on Select Retail Sites in Q4 2011

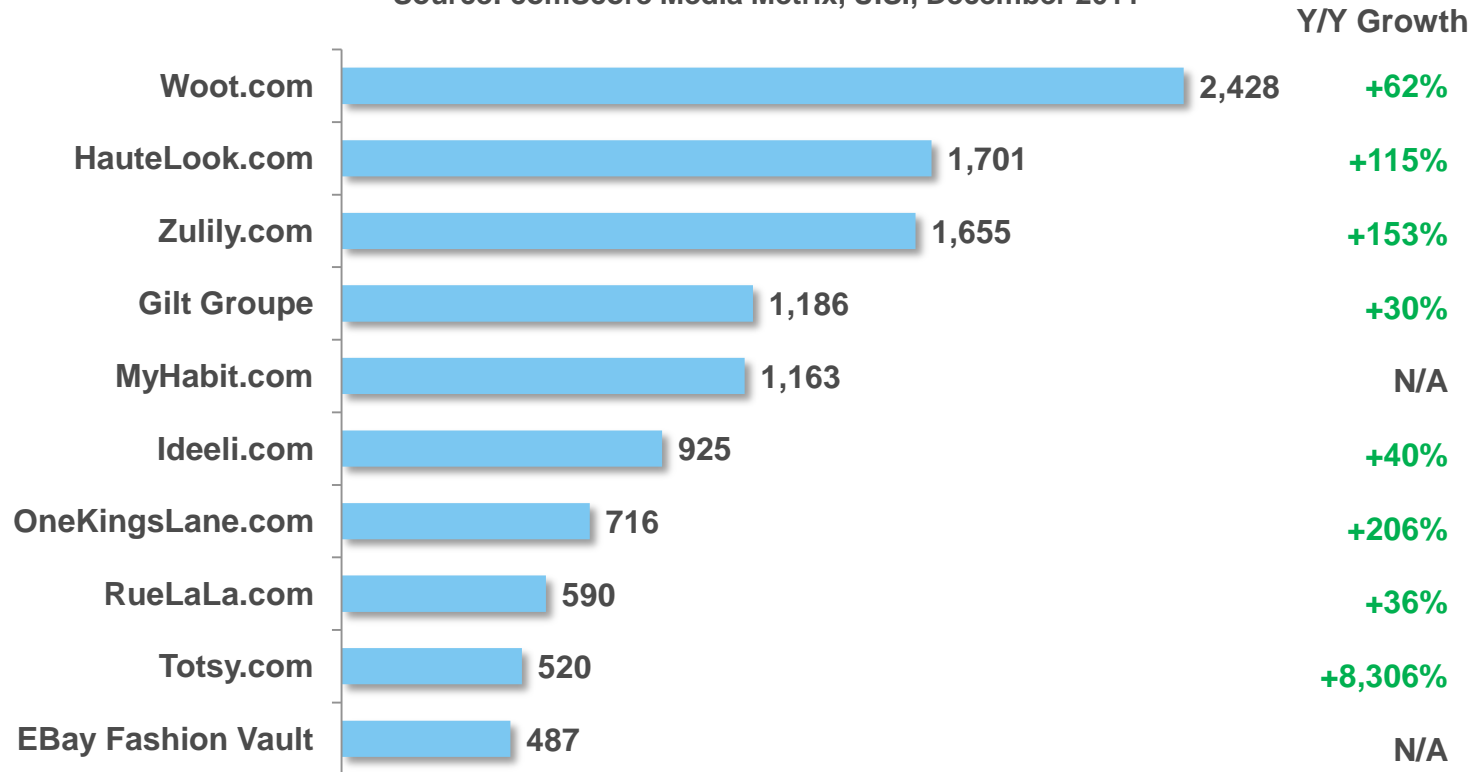
Source: comScore Media Metrix U.S. Data



# The overall popularity of flash-sale sites continues to grow, with several sites showing triple-digit growth versus a year ago

## U.S. Unique Visitors (000) to Leading U.S. Flash Sales Sites

Source: comScore Media Metrix, U.S., December 2011



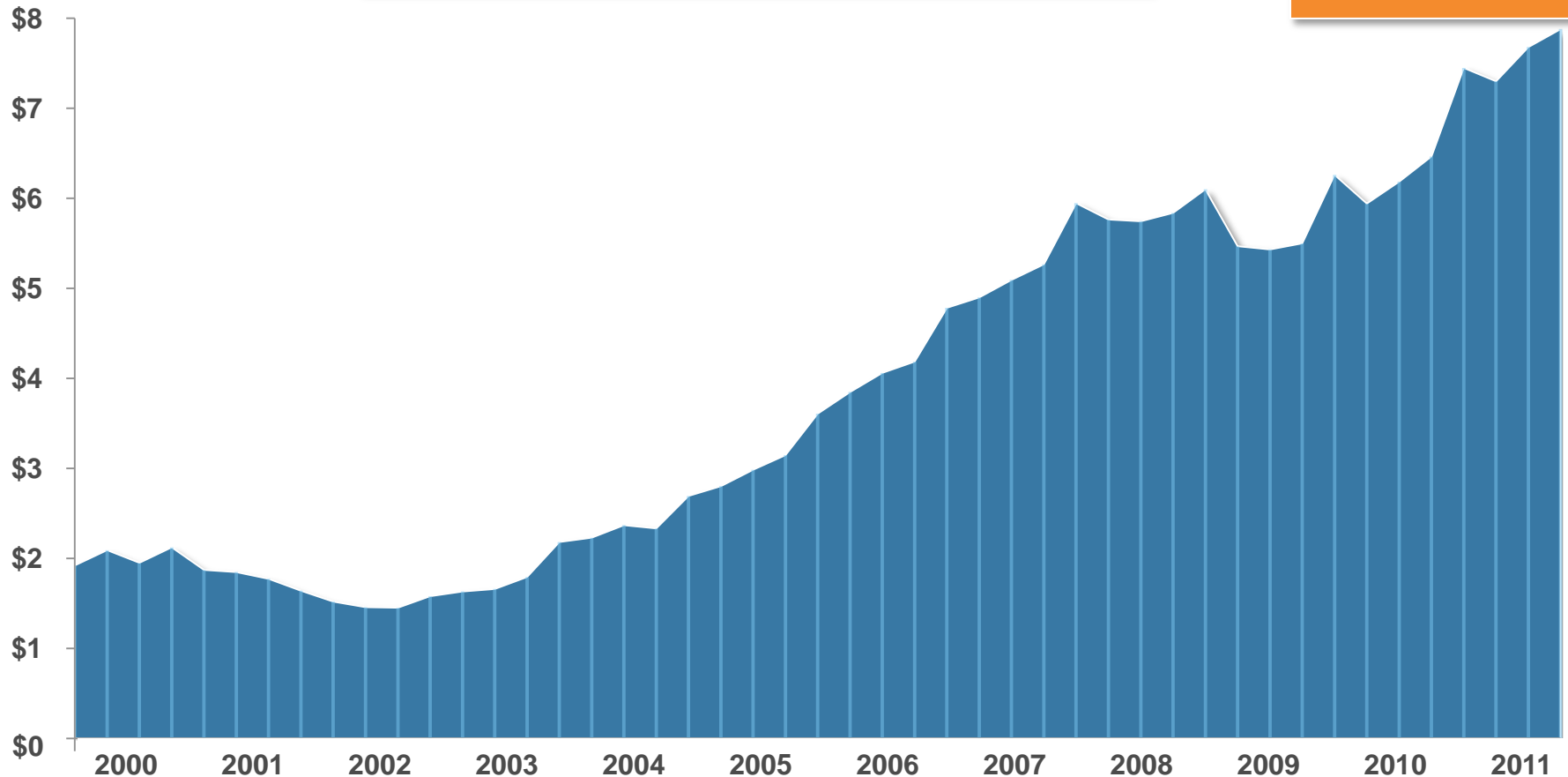
Kids clothing site Totsy.com has exploded on the Flash Sale scene, reaching 520,000 UVs in Dec-2011, vs. just 6,000 in Dec-2010

# Online Retail Advertising in 2011

# Internet advertising spending surged in 2011, reaching \$7.9 Billion in Q3, up 22% vs YA -- a growth rate about 6X faster than all media spending

Quarterly Revenue Trend (\$ Billions)  
2000 - 2011

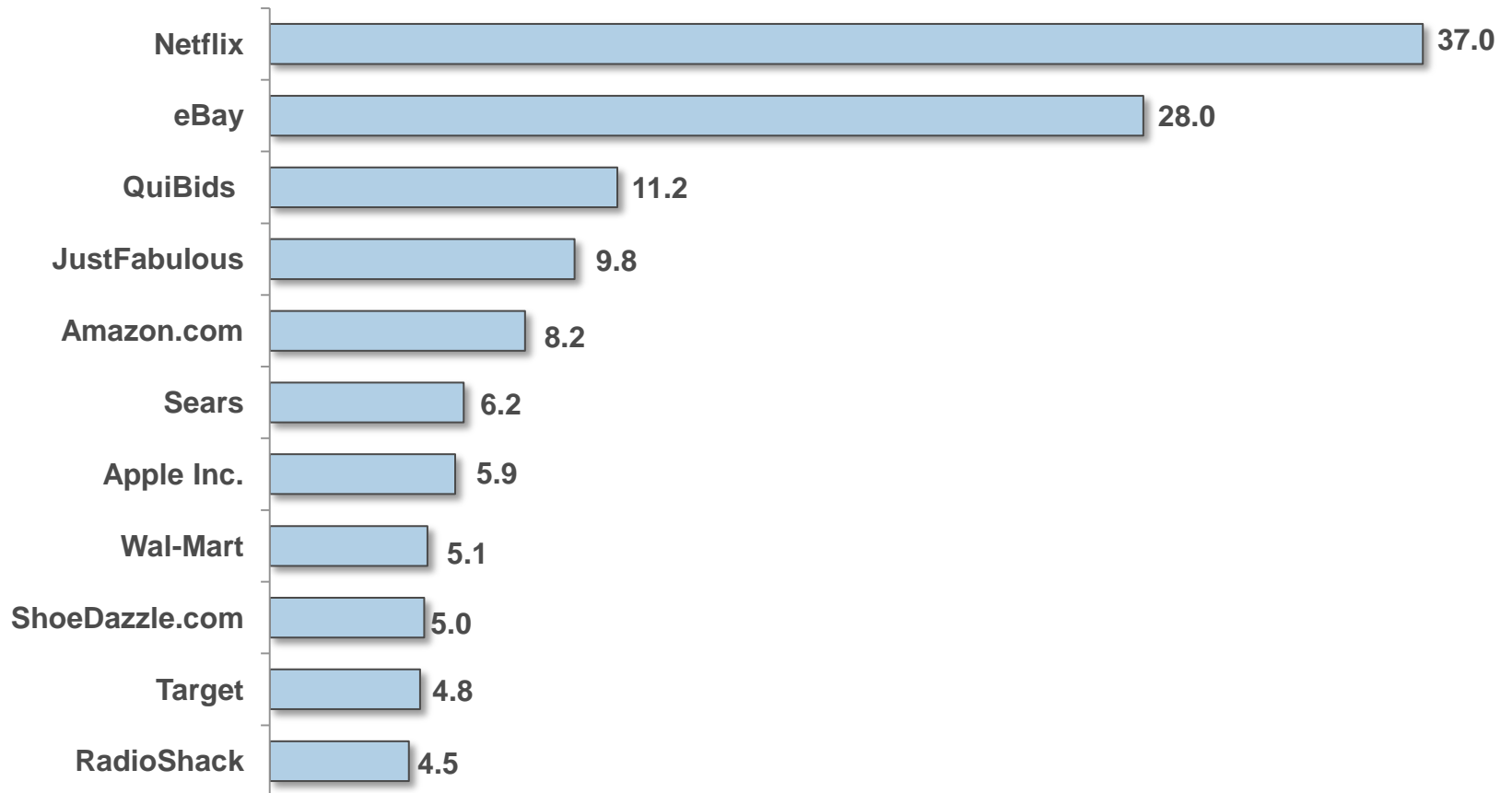
Q3 2011 \$7.9 B  
+22% vs YA



# Netflix and eBay were the top retail advertisers in 2011, serving 37 billion and 28 billion total impressions, respectively

## Total Advertising Impressions (Billions) Served Across the Internet in 2011 – Top Retailers

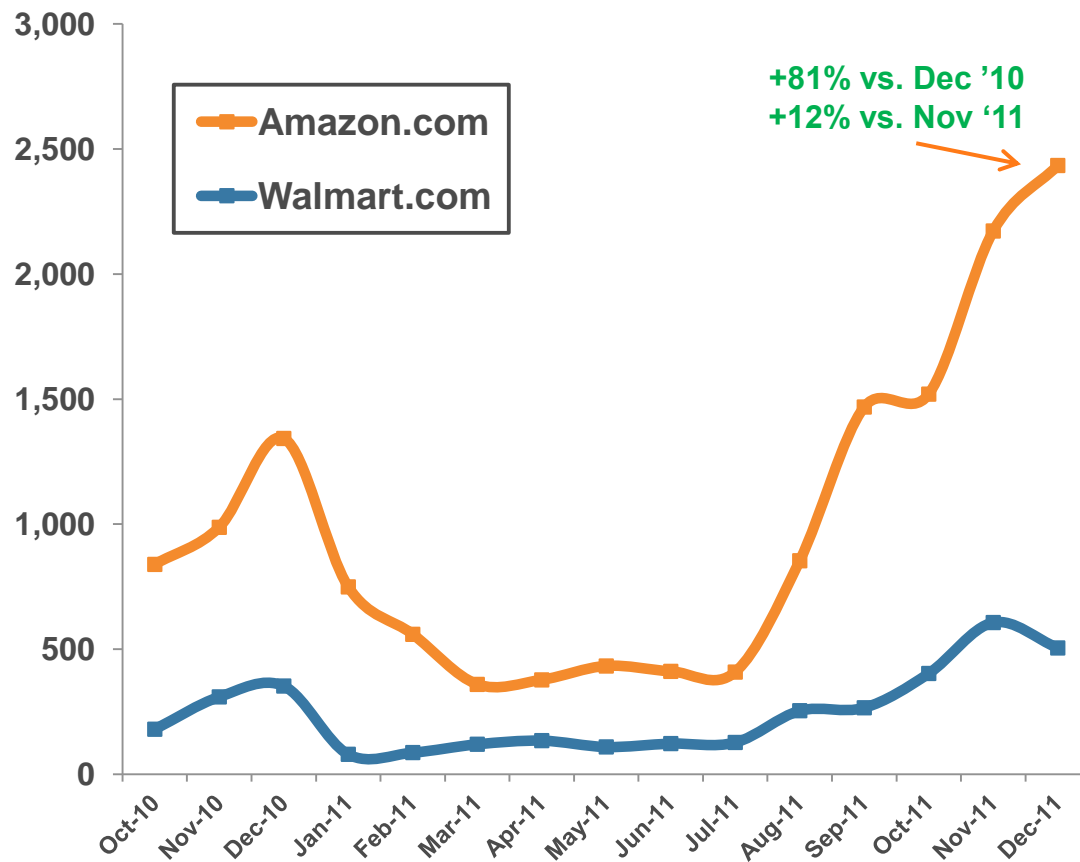
Source: comScore Ad Metrix



# Ad impressions delivered on Amazon.com (not including Amazon's own ads) are up 81% versus a year ago

## Impressions Delivered (in Millions) & Selected Leading Creatives on Amazon & Walmart

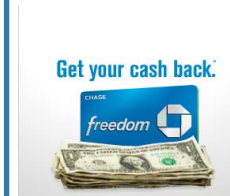
Source: comScore Ad Metrix, U.S., Jul-2010 to Dec-2011



### Amazon.com

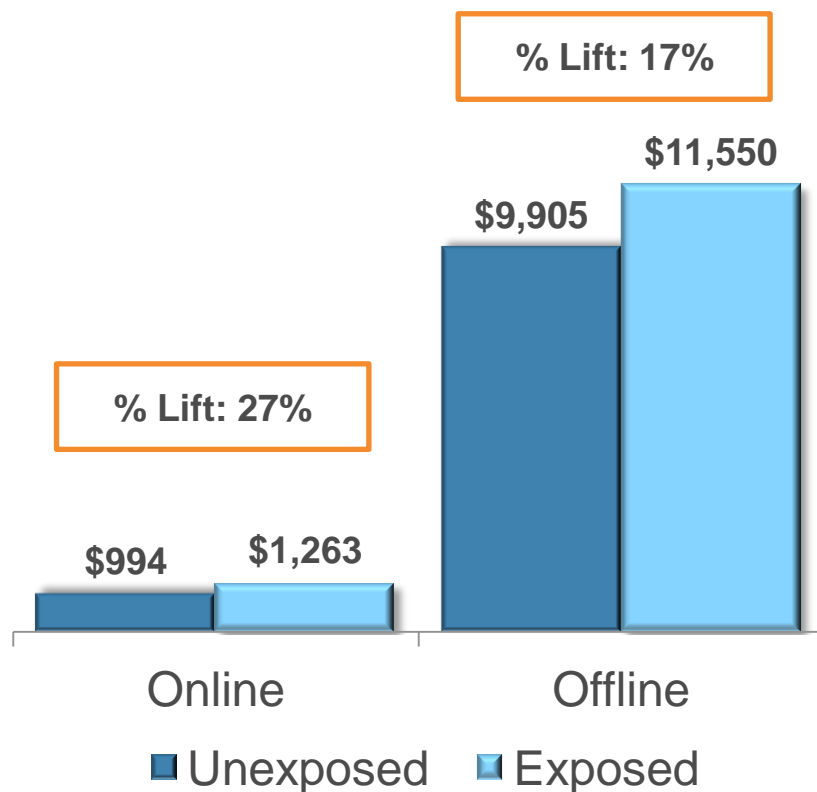


### Walmart.com



# Despite click rates of only 0.1%, comScore research has shown that display ads can lift retailer sales – both online and offline

## Dollar Sales Lift Among Households Exposed to Online Advertising



## Conclusions

- Exposure to display ads doesn't just impact online sales – it lifts in-store sales as well
- The absolute dollar lift in offline sales is 5x higher than the lift in e-commerce sales
- The click is misleading as a measure of campaign effectiveness

# Making Measurement **Make Sense** (3MS) Mission:



- **Reduce costs of doing business** due to complexity of digital advertising ecosystem
- **'Single Tag' solution** to reduce complexity
- Improve reporting of **ad exposure**
- Bolster confidence that ads delivered are **actually visible**

Billions of impressions are being delivered – how can retailers ensure the right consumers are seeing the messaging?



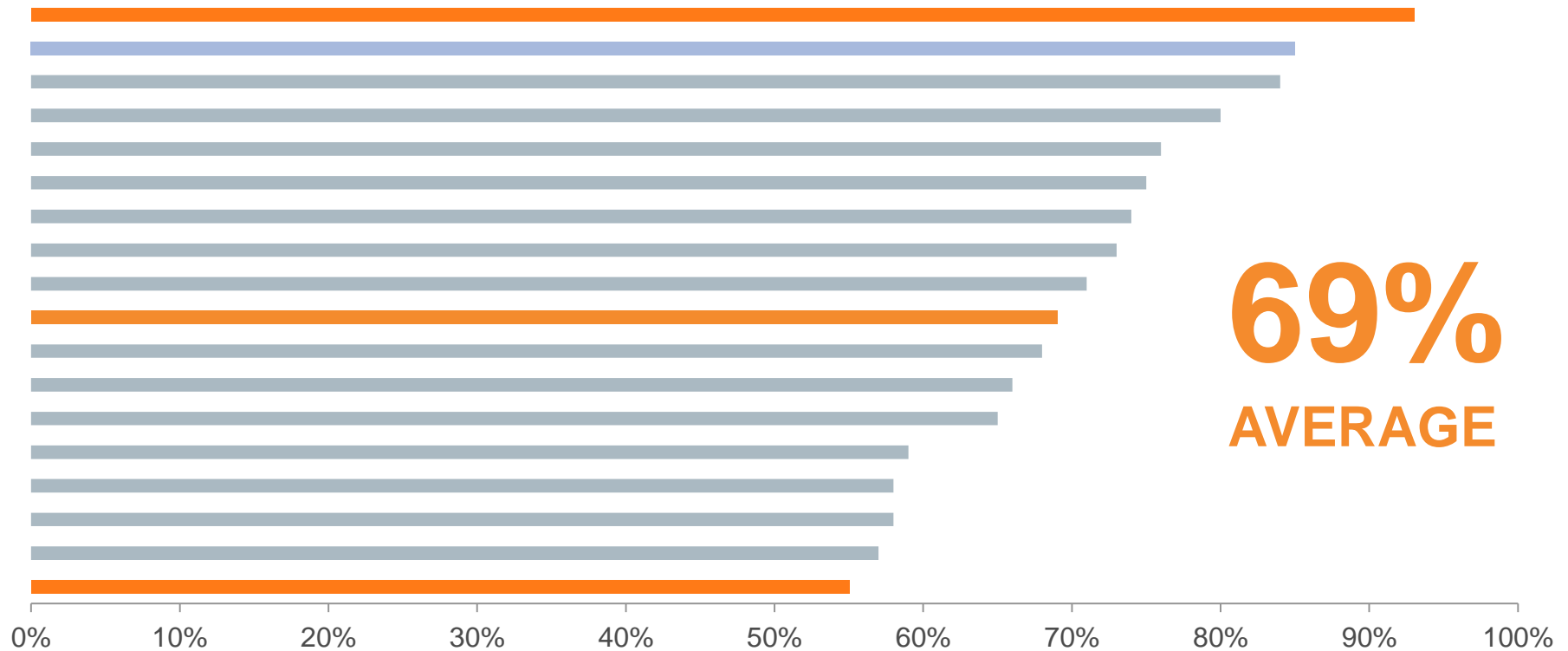
# vCE Charter Study

**18** campaigns  
**2 billion** impressions  
**400k** sites



# Charter Findings

**In-view** ad rates ranged from 55% to 93% across 18 campaigns

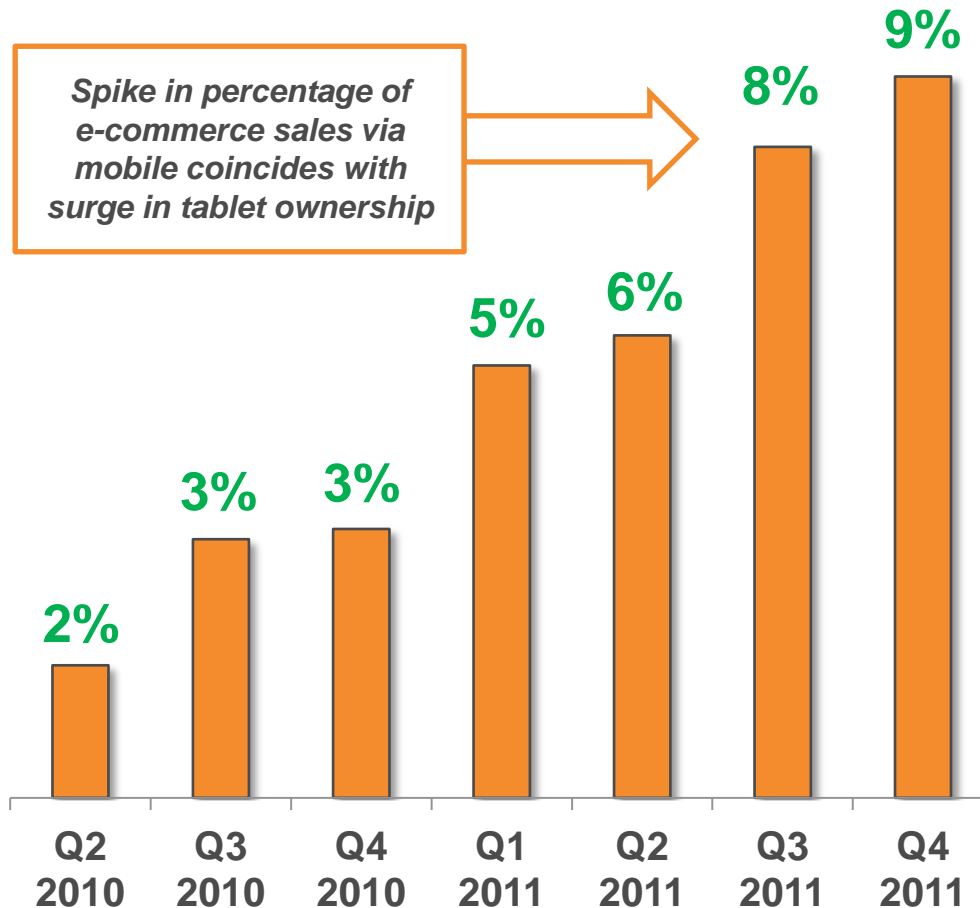


# Mobile Retail Trends

# 2011: The Rise of Mobile & Tablet Commerce

## Percentage of Total e-Commerce Dollars Spent via Mobile or Tablet Device

Source: comScore Mobile Measurements



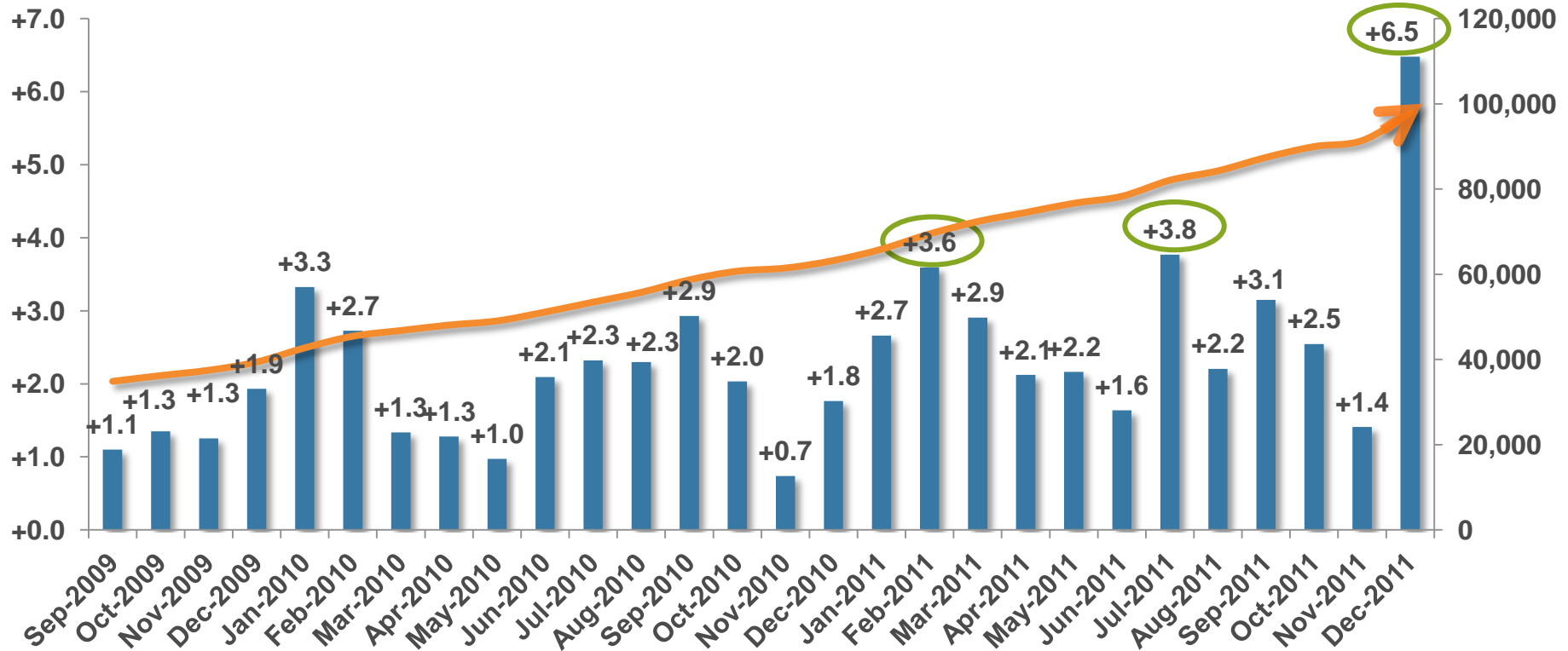
6.5 million new smartphones were activated in Dec 2011, the highest month of activations on record; almost 100 million people now own smartphones

### Acquisition Trend for Smartphone Subscriber Base and Total Smartphone Subscriber Base

Source: comScore MobiLens, 3 Mo. Avg. Sep-2009 to Dec-2011

■ New Smartphone Acquisitions (In Millions)

— Total Smartphone Subscriber Base (In Thousands)

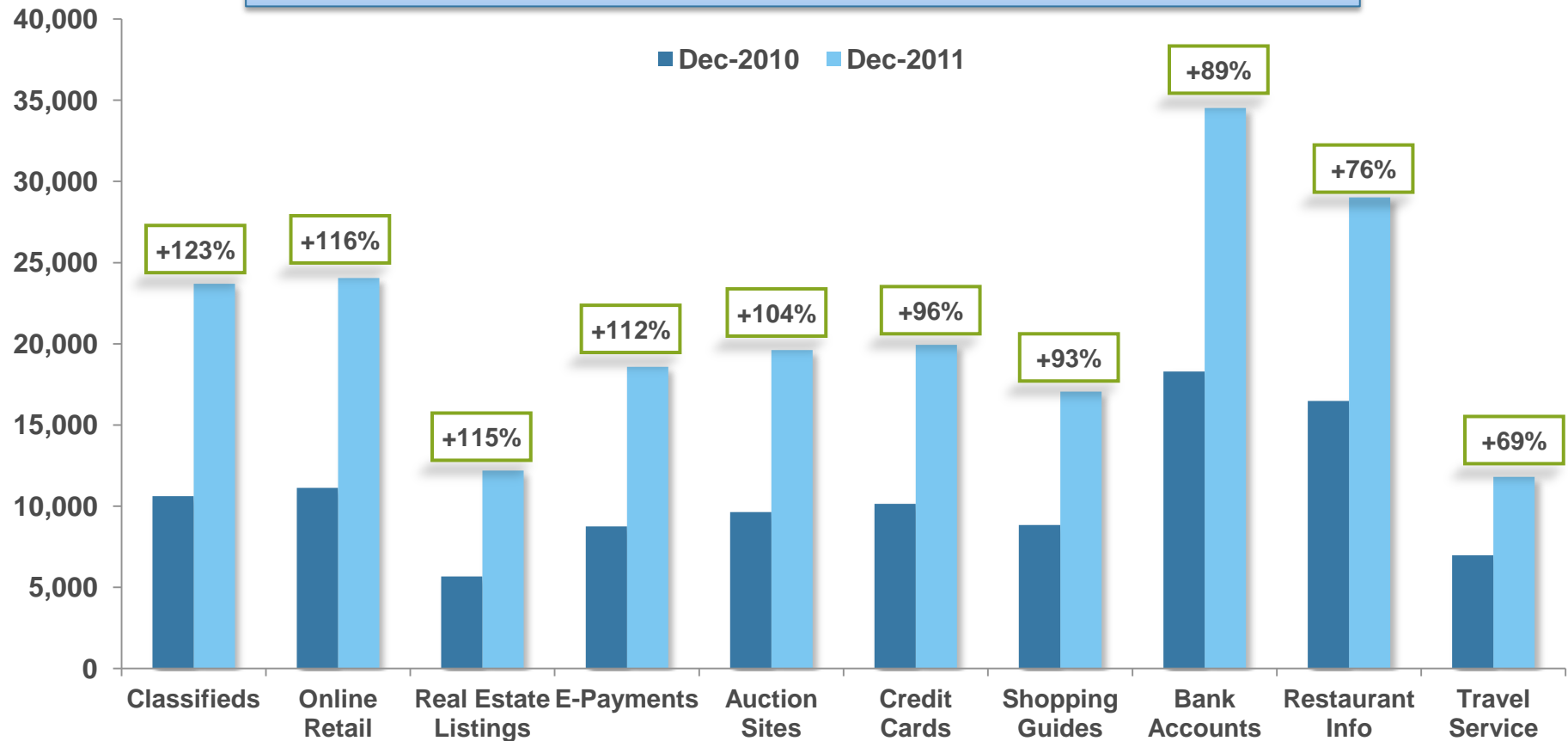


# Mobile retail activities are surging as smartphone adoption approaches 100 million people in the U.S.

## Content Categories Consumed by Mobile Phone Owners (000) & Growth vs. YA

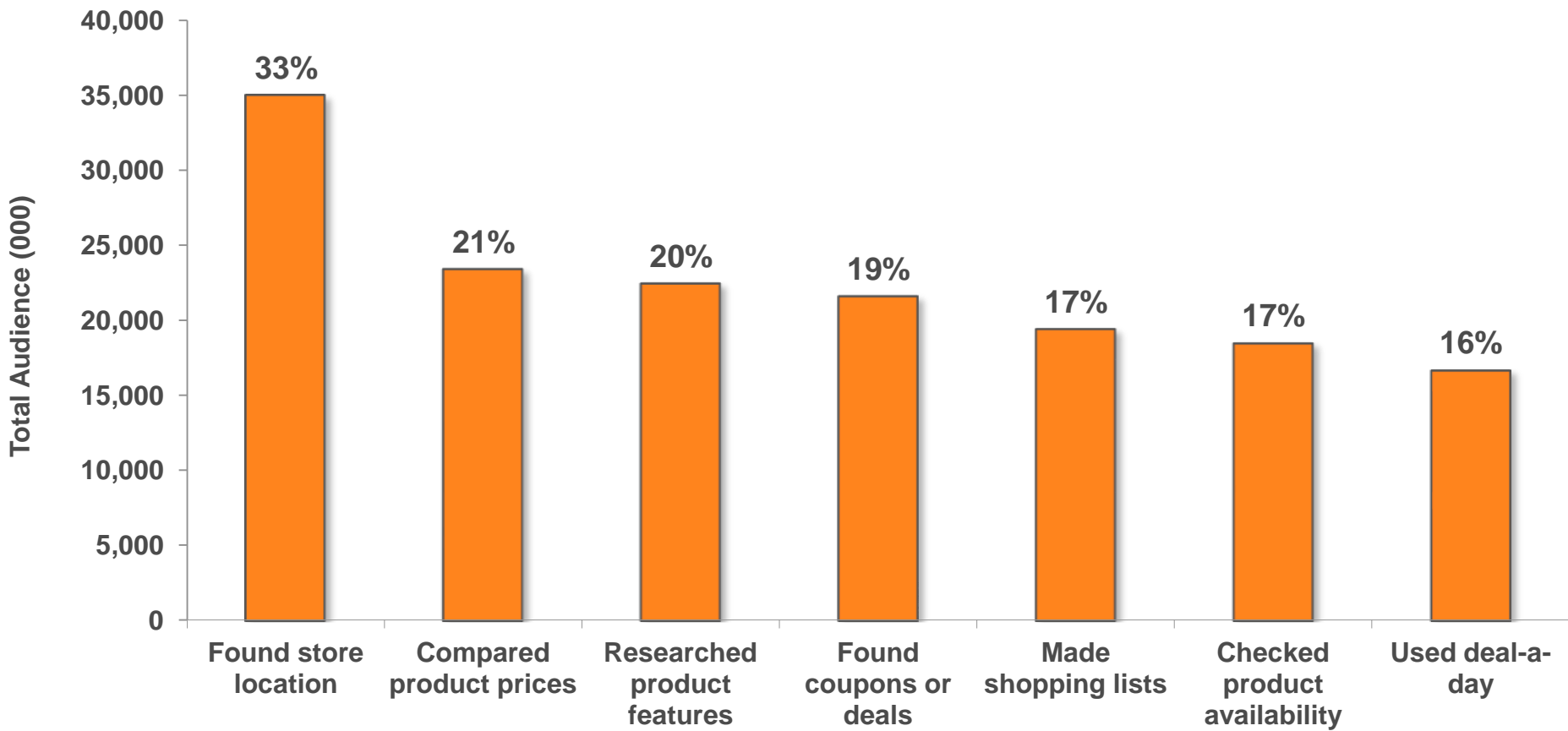
Source: comScore Mobilens, Dec-2011, U.S.

### Retail Content Categories Are Among the Fastest Growing for Mobile



# 1 in 3 smartphone owners have used a phone to find a store location, while about 20% compared product prices or features

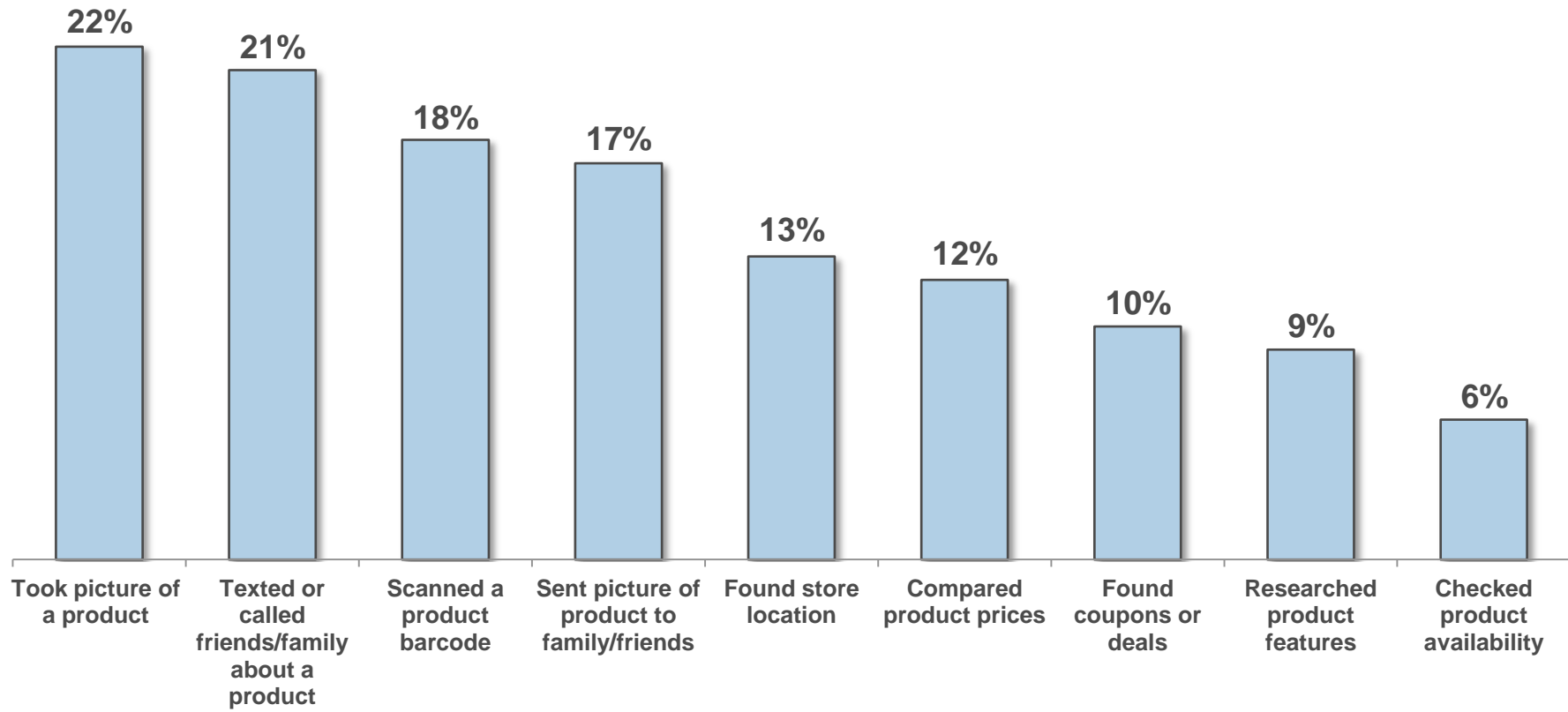
**Retail Activities by Smartphone Users (000) and % of Audience**  
Source: comScore Mobilens, Dec-2011



# While in a brick-and-mortar retail store, 12% of smartphone owners compared prices and 10% searched for information on product features

Activities Performed on Mobile While in a Retail Store, % of Smartphone Audience

Source: comScore MobilenS, Dec-2011, U.S.



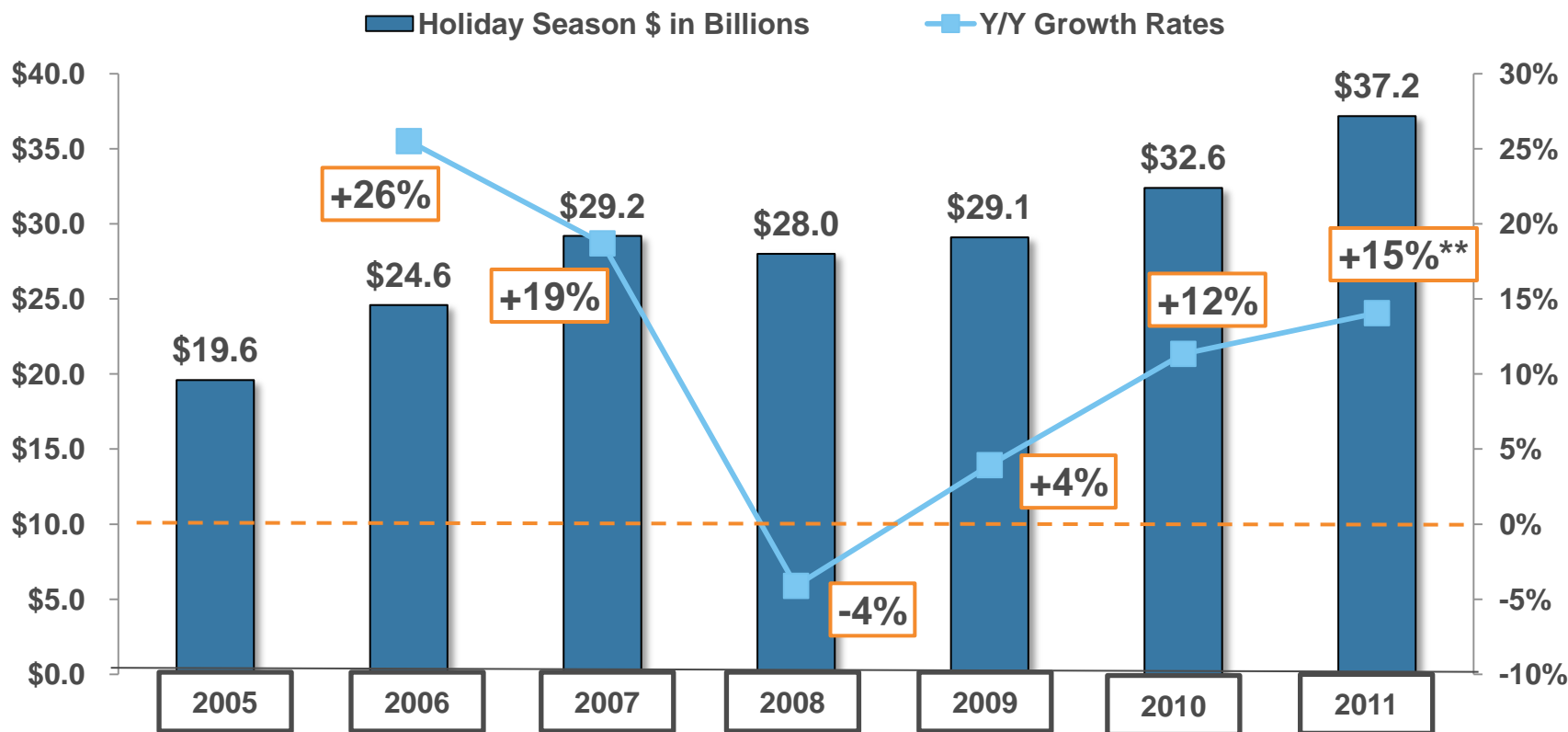
# 2011 Holiday Shopping Season

## *e-Commerce Wrap-Up and Key Findings*

# The 2011 U.S. e-Commerce holiday season surpassed all previous years in sales and grew 15% versus year ago

## Holiday Season\* Retail e-Commerce Sales (\$ Billions) Growth vs. YA

Source: comScore e-Commerce Measurement



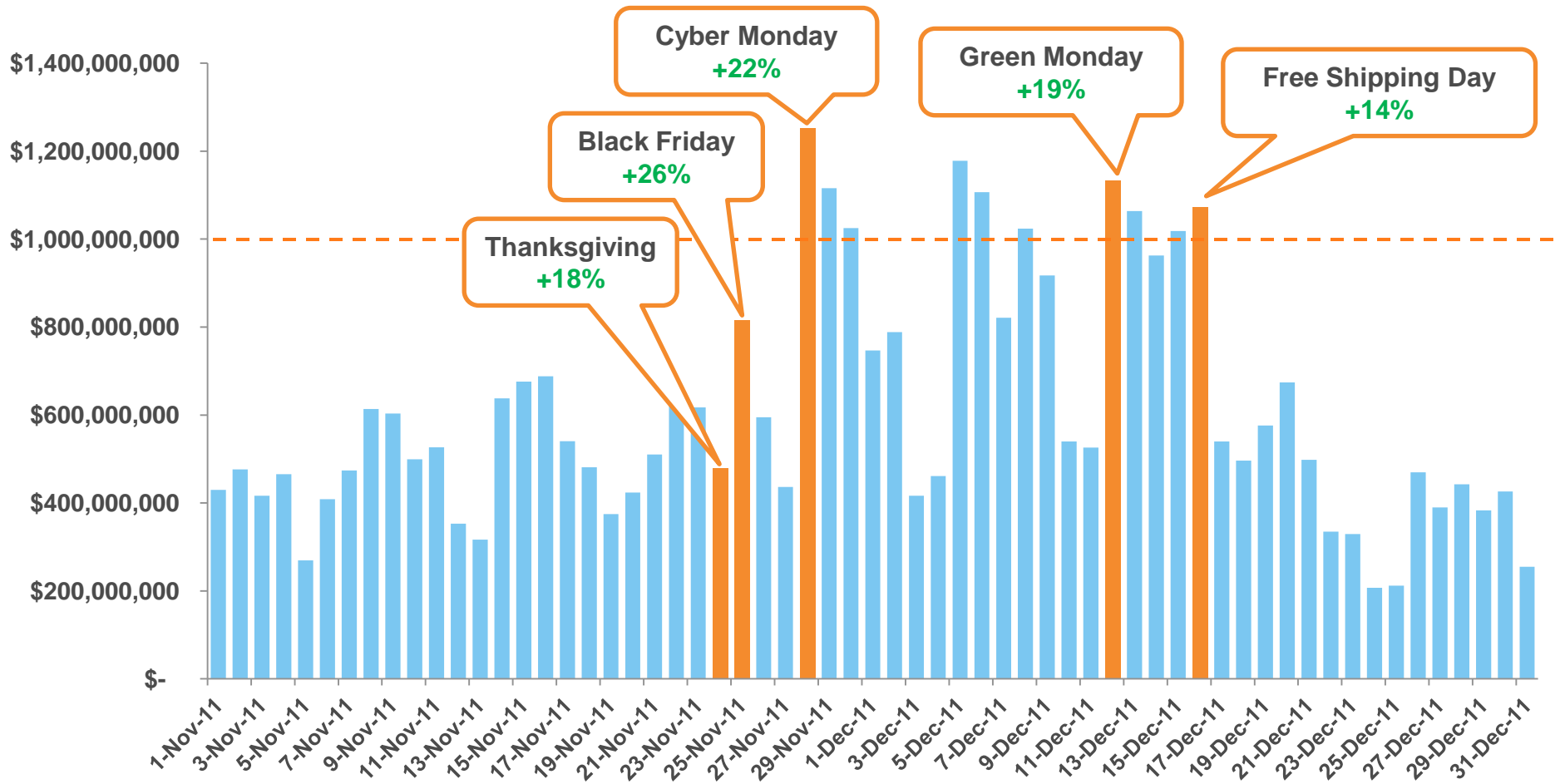
\* Holiday Season includes November and December

\*\*Percentage change includes seasonal adjustment to account for unequal number of weekdays and weekend days in 2010 and 2011

Through Dec 31<sup>st</sup>, ten individual days this past season have surpassed \$1 Billion in spending, compared to only one last year

## 2011 U.S. Online Holiday Spending by Day

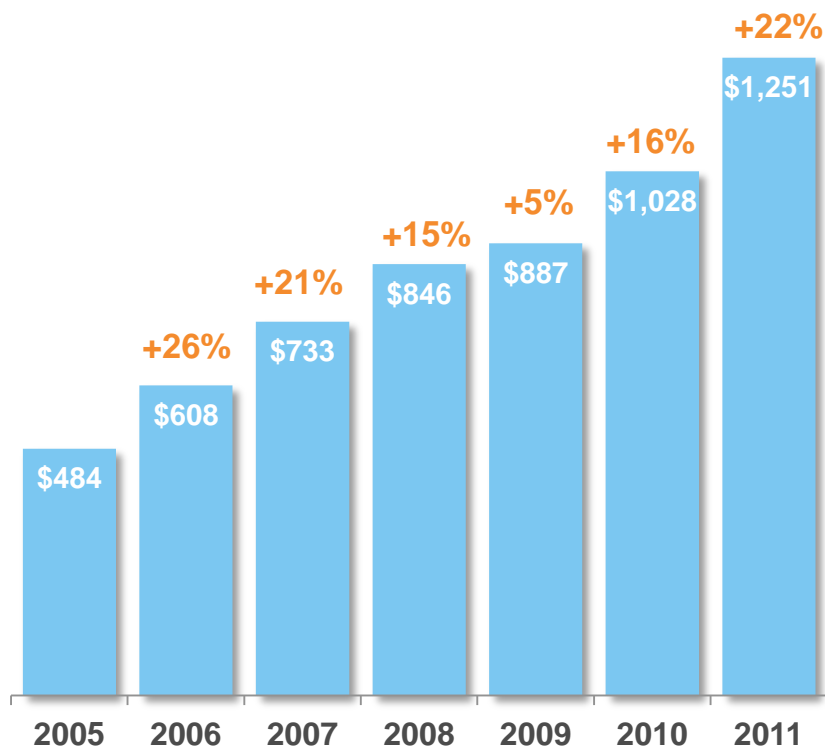
Source: comScore e-Commerce Measurement, 2011



# For the second consecutive year, Cyber Monday was the highest spending day throughout the holiday season

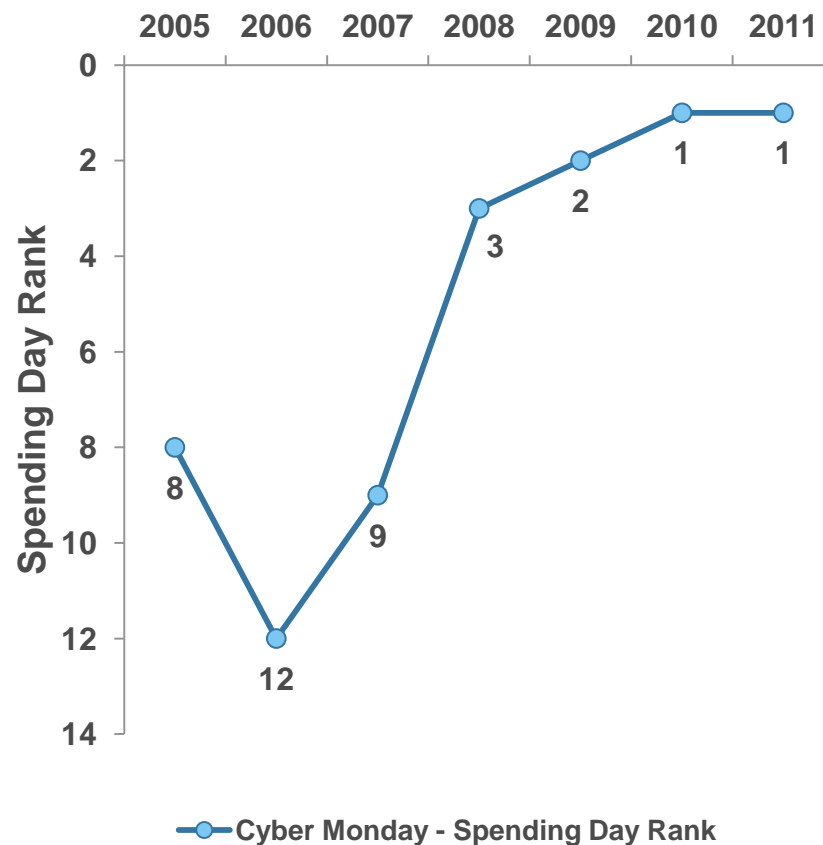
## Cyber Monday U.S. Online Spending in Millions (% growth vs. YA)

Source: comScore E-commerce Measurement, 2005-2011



## Cyber Monday - Spending Day Rank

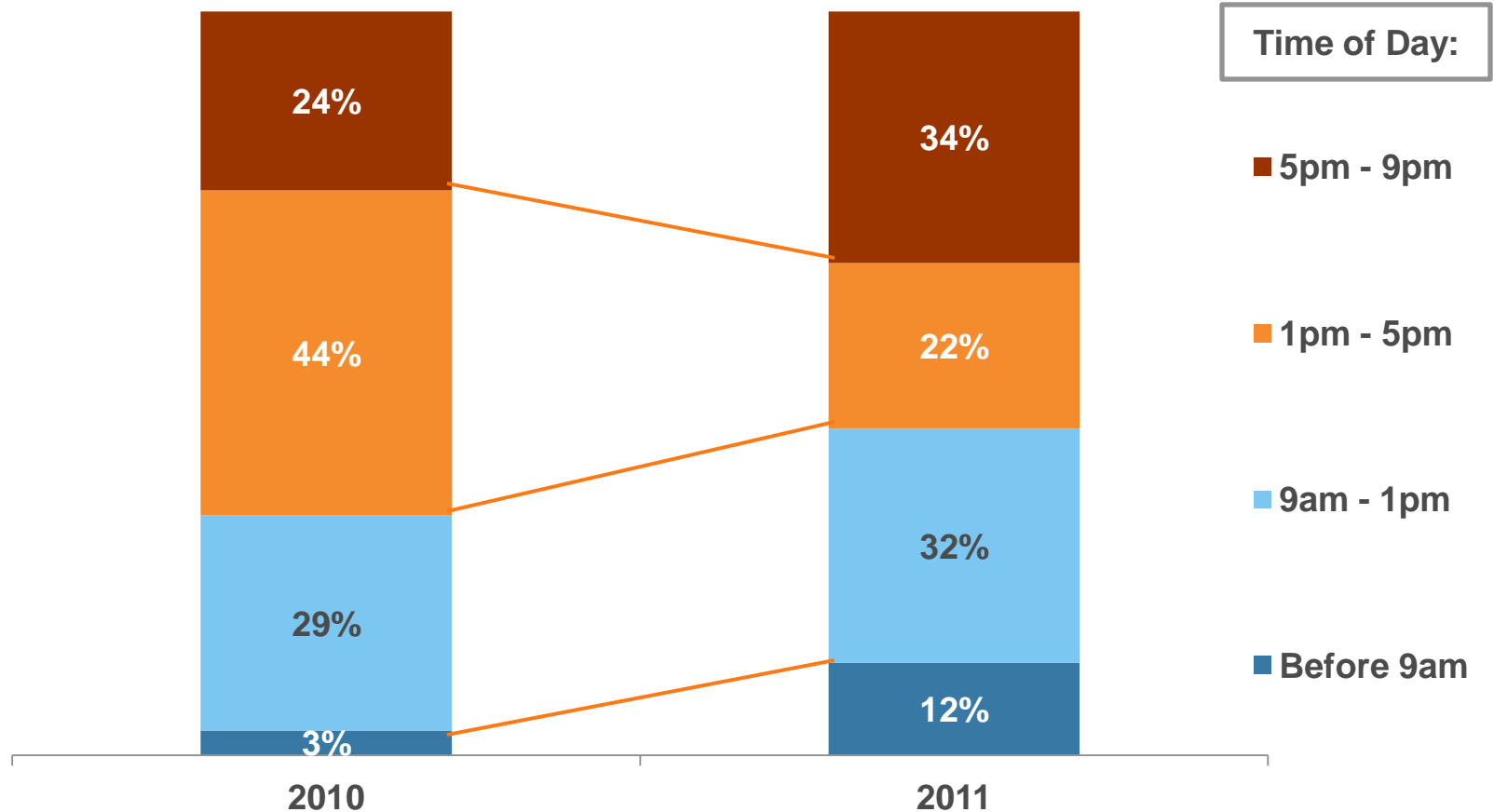
Source: comScore E-commerce Measurement, 2005-2011



Cyber Monday 2011 activity saw a relatively higher percentage of sales occur in the early morning as consumers sought out early deals and in the evening hours as retailers continued to push promotions throughout the day

### Cyber Monday Spending by Time of Day

Source: comScore, Inc.



# The season began earlier because of aggressive retailer promotions and ended later because of increased confidence in free shipping

## 2011 Holiday Season e-Commerce Spending vs. Corresponding Days in 2010\*

Source: comScore e-Commerce Measurement

	Millions (\$)		
	2010	2011	% Change
November 1 – December 31	\$32,589	\$37,170	+15%**
Thanksgiving Day (Nov. 24)	\$407	\$479	+18%
Black Friday (Nov. 25)	\$648	\$816	+26%
Cyber Monday (Nov. 28)	\$1,028	\$1,251	+22%
Green Monday (Dec. 12)	\$954	\$1,133	+19%
Free Shipping Day (Dec. 16)	\$942	\$1,072	+14%
Week ending Dec. 25 (Dec. 19-25)	\$2,450	\$2,831	+16%

\*Corresponding days based on corresponding shopping days

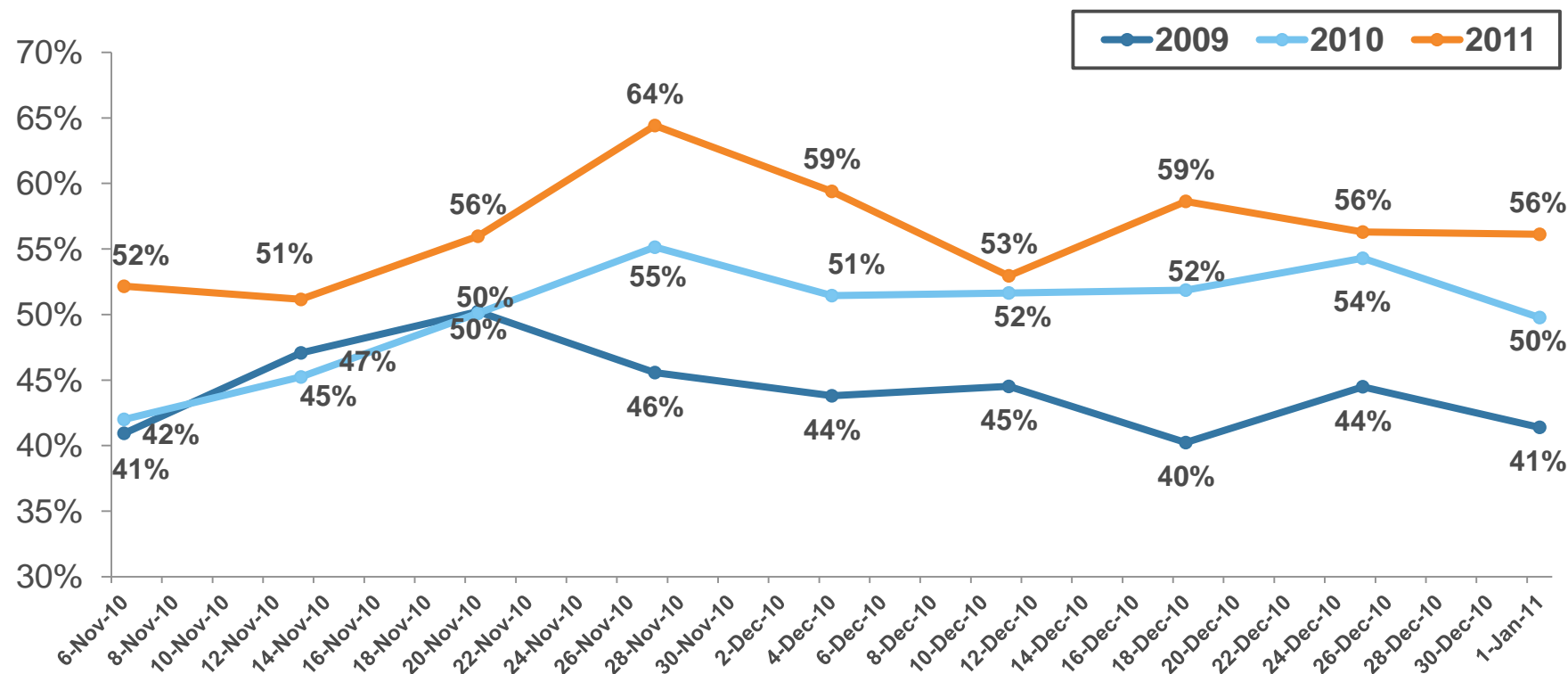
**Heaviest online shopping day on record, surpassing \$1 billion in sales for the second consecutive year**

**Strong sales approaching end of season**

# Free shipping in the week leading up to Cyber Monday 2011 reached a record 64% of total transactions

## Percentage of E-commerce Transactions with Free Shipping

Source: comScore e-Commerce Measurement



Average Order Value on **free shipping purchases** was **\$95** during the 2011 holiday season. For **non-free shipping purchases**, it was **\$87**.

# Nearly 1 in 4 consumers purchased a gift via a deal-of-the-day site this holiday season

## Daily Deals As Holiday Gifts

Q. When thinking of this past holiday season, did you purchase any gifts via deal-of-the-day sites?  
(Please select all that apply)

Source: comScore Survey – January 2012

Overall, 27% of men and 21% of women bought gifts via deal-of-the-day sites this season

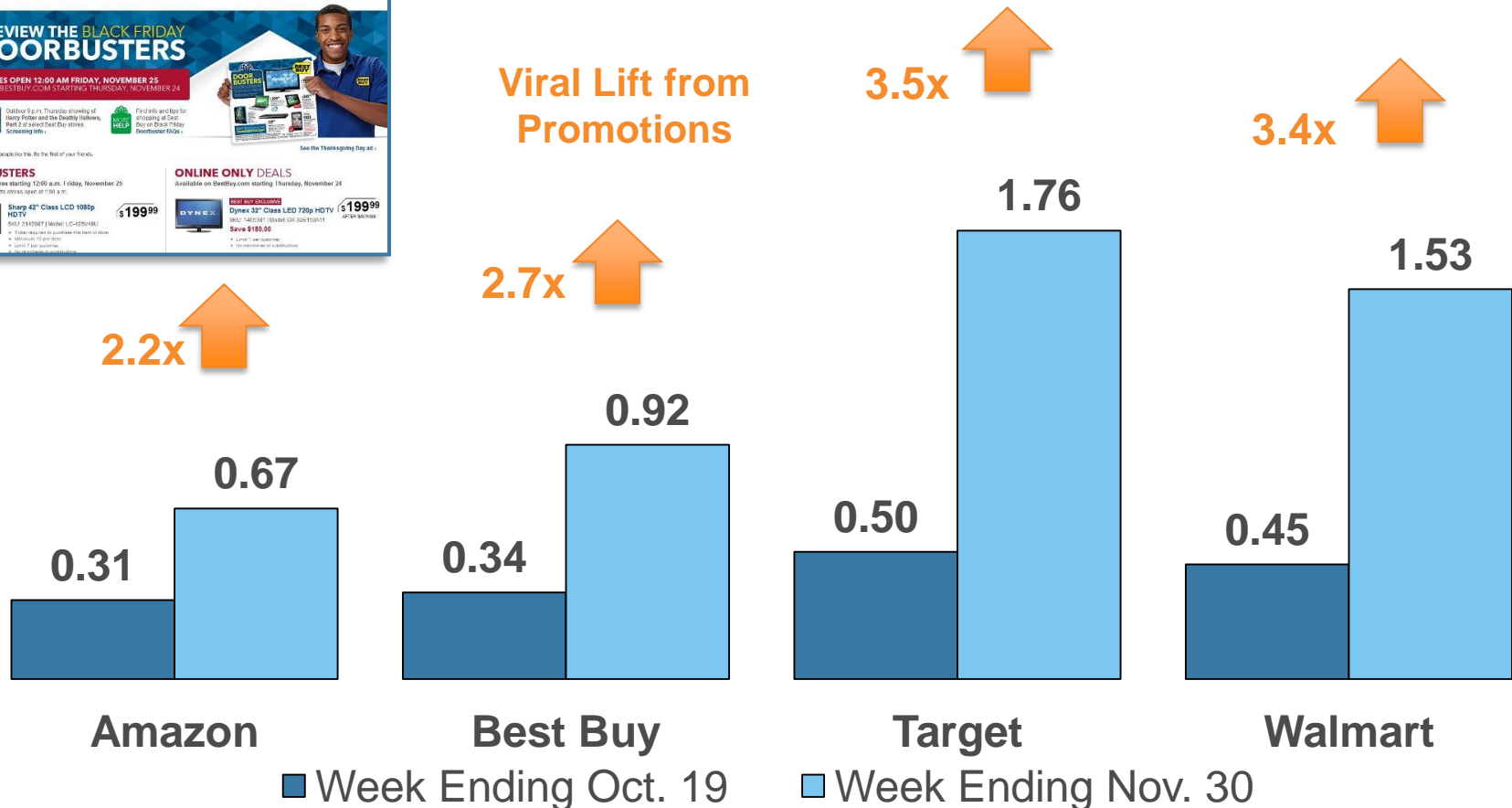


# Promotions targeted to Fans can significantly expand the viral impact of social media to Friends of Fans

## 2011 Holiday Retail Promotion Analysis

Ratio of *Friends of Fans Reached* to *Fans Reached* for Leading U.S. Retailers

Source: comScore Social Essentials, U.S., November 2011

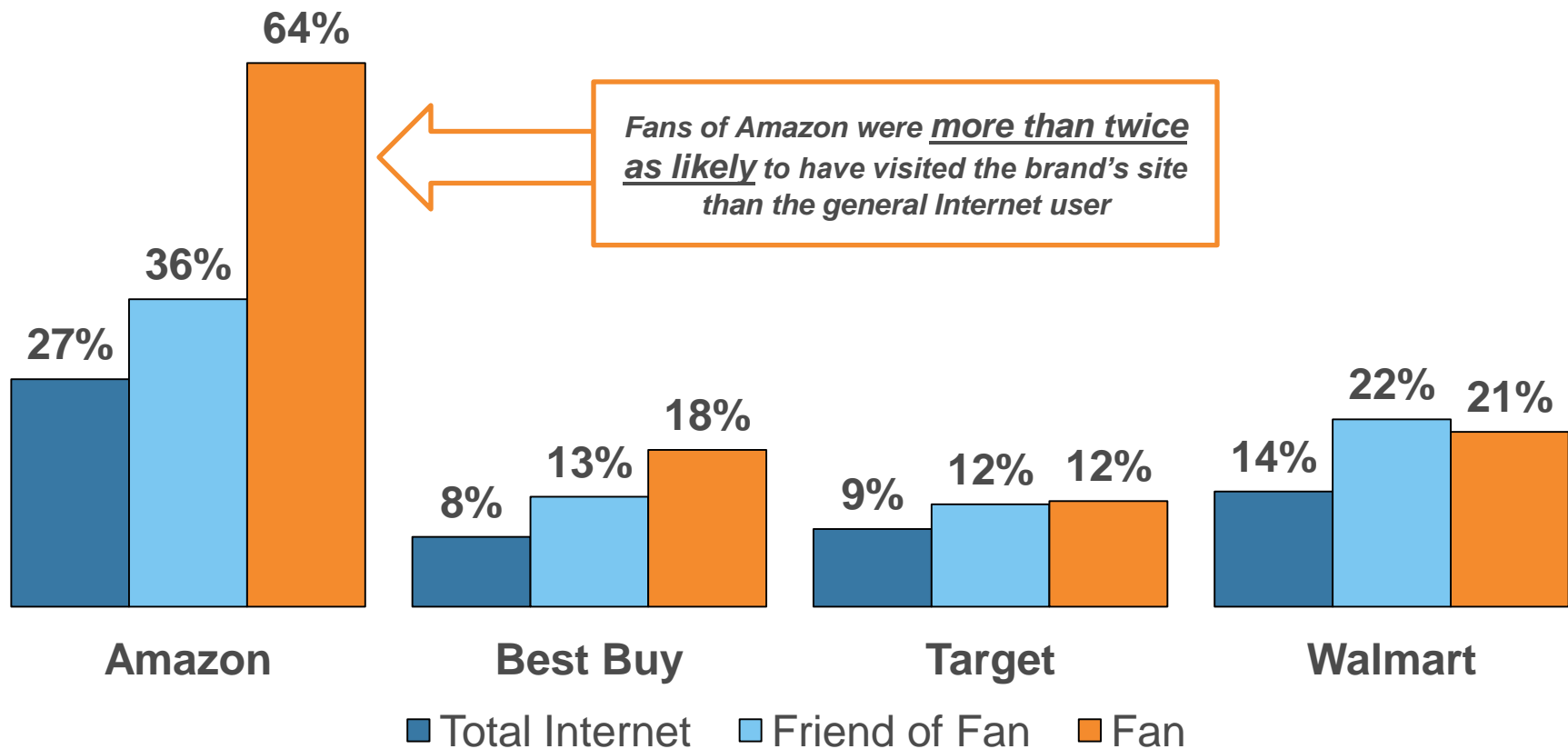


# For most retailers, a significantly higher percentage of Fans & Friends of Fans visited the retailer's website

## 2011 Holiday Retail Promotion Impact Analysis: Week Ending Nov. 30

Percentage of Brand-Exposed Fans & Friends of Fans Who Visited Retailer Website

Source: comScore Social Essentials, U.S., November 2011



# Key Takeaways

# Key Takeaways

- Quarterly e-Commerce sales have increased by double digits Y/Y for five straight quarters
  - Online growth now nearly triple total retail sales, which means that \$1 in every \$10 of discretionary spending will soon be spent online
  - Channel shift to online has accelerated in 2011
- Overall consumer perception of the economy improving, albeit slowly, but remains negative with unemployment and high prices top concerns.
- Smartphone adoption continues to explode: 6.5 million new phones activated in Dec 2011, and overall 98 million people now use smartphones
  - Smartphones & tablets used to buy and research competitive price / product features while in-store, now accounting for 9% of Q4 dollars spent online
- Strong holiday e-commerce sales exceeded \$37 billion, up 15% vs YA
- Free shipping growing in importance, far surpassing 50% of all transactions in holiday season
  - Has it become a cost of doing business?
  - Negative impact on retailer profit margins?

## QUESTIONS?

Please contact us at [learnmore@comscore.com](mailto:learnmore@comscore.com) if you have any additional questions or comments.



# Thank You!

**Note: A copy of this presentation will be sent to all attendees within 24 hours of today's webinar.**

