

State of Mobile Commerce

Growing like a weed

Q1 2015

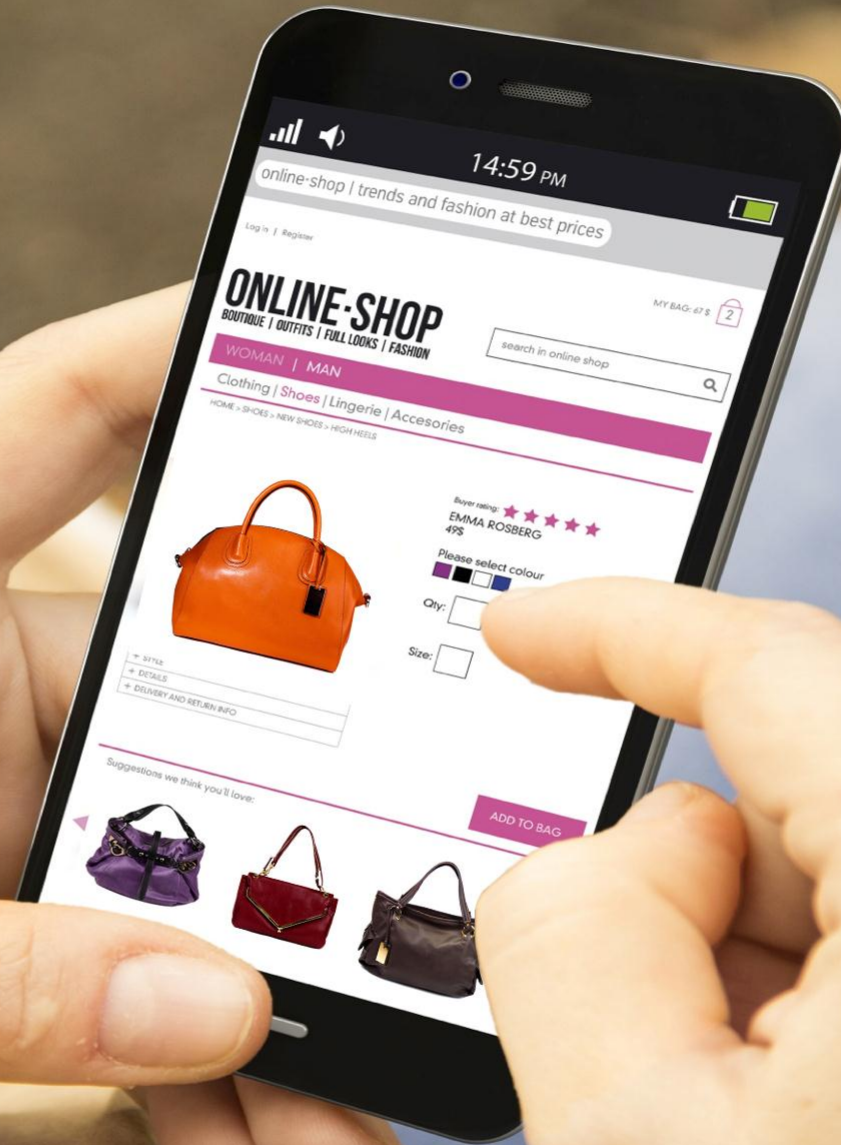
● Executive Summary

Mobile commerce is growing like a weed. Mobile is 29% of eCommerce transactions in the US and 34% globally. By the end of 2015, mobile share is forecast to reach 33% in the US, and 40% globally.

- **US Mobile transactions grew 10% in the last 3 months:** Growth continues across all retail categories, especially with top quartile retailers.
- **It's all about smartphones:** In most countries, including the US, smartphones are now the majority of mobile transactions.
- **There is no limit:** For the first time Japan and South Korea had over 50% of their eCommerce transactions on mobile.
- **Consumers view the same number of products on smartphone and desktop sites:** Lower mobile conversion rates in the US are due to weaknesses in turning this browsing into completed purchases.

These trends and forecasts come from Criteo's Q1 2015 State of Mobile Commerce Report, based on its unique pool of online shopping data covering 1.4 billion transactions totaling over \$160 billion of annual sales. Mobile Commerce in this report excludes NFC/proximity payments.

The 3 Key US Mobile Shopping Trends

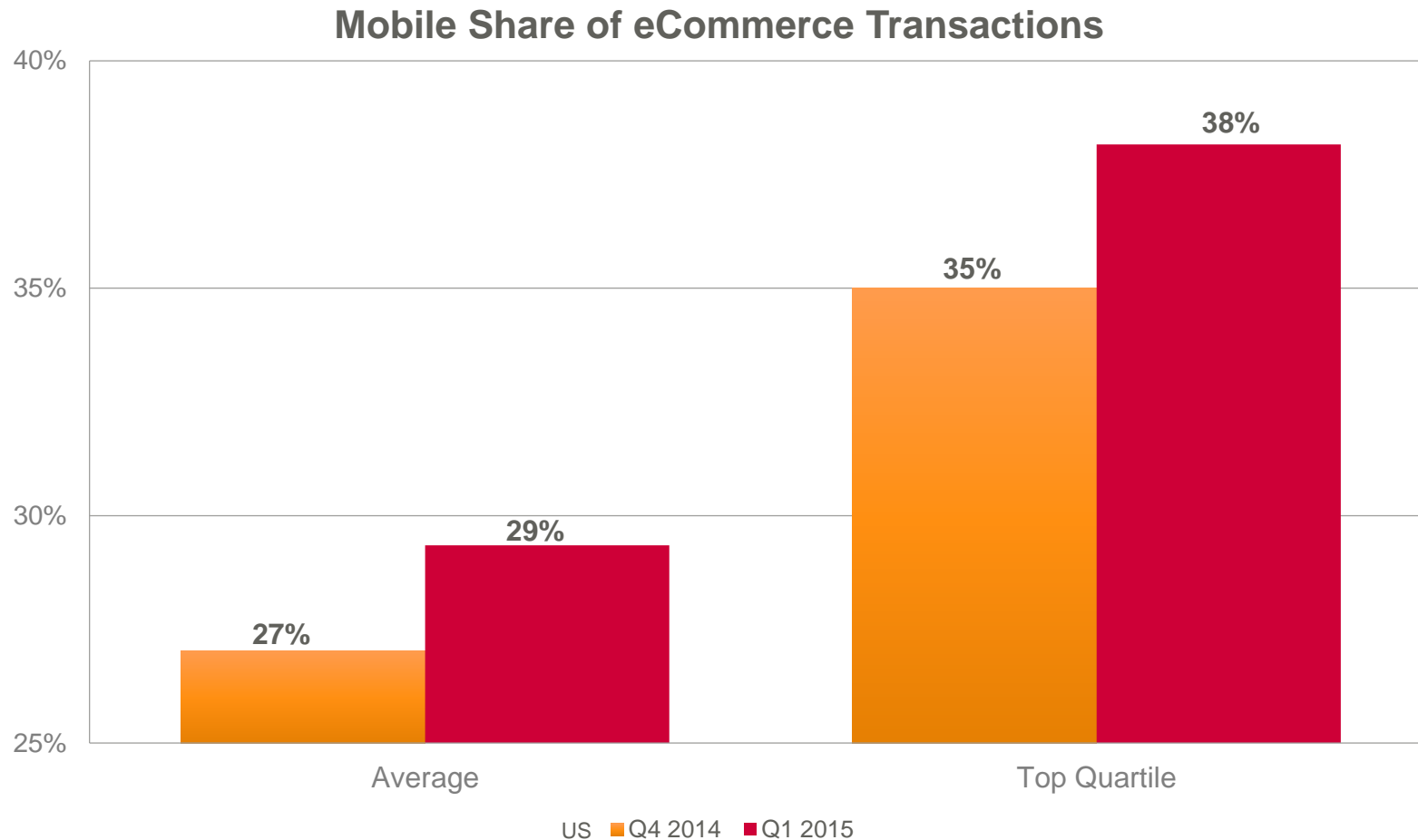


#1

Mobile transactions
grew 10% in the last 3
months.



● Mobile share of transactions grew 10% in the last 3 months

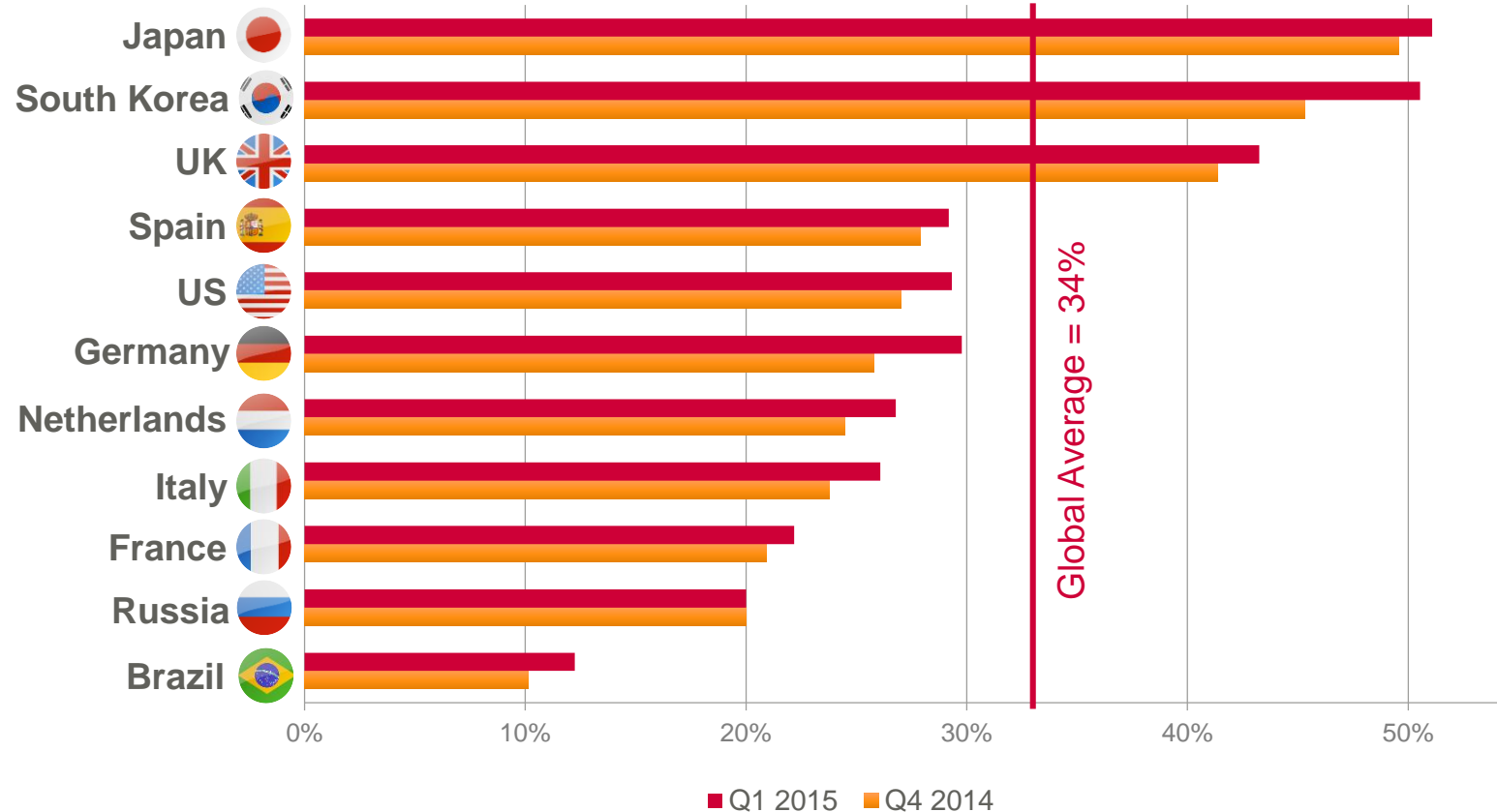


- In Q4 2014, mobile accounted for 27% of retail eCommerce transactions in the US. In Q1 2015, that figure has risen to reach almost 30%.
- Mobile share of eCommerce transactions for the top quartile retailers has increased to 38% in Q1 2015.

Note -Top quartile consists of retailers with the highest share of mobile transactions.

● mCommerce is now over one third of global eCommerce

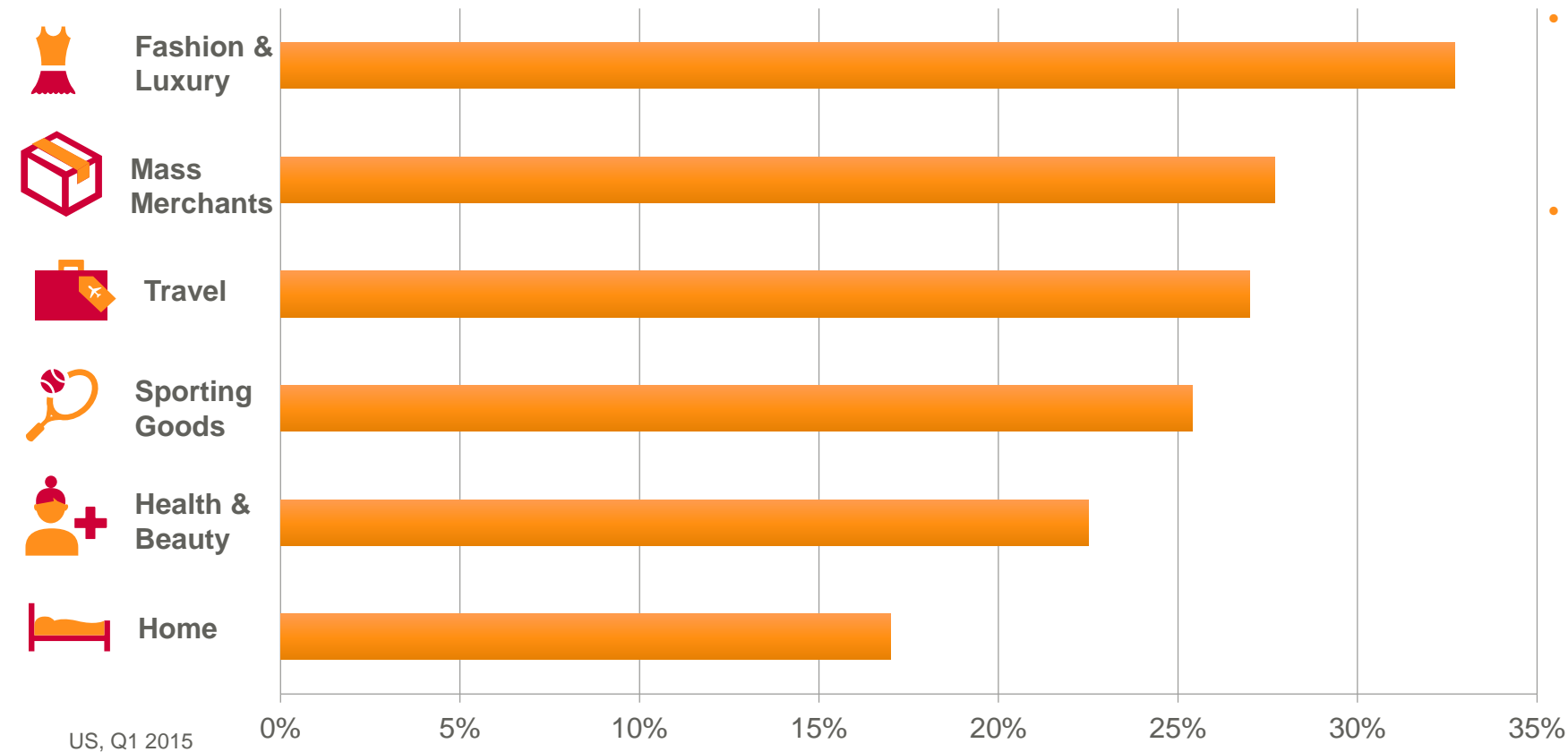
Mobile Share of eCommerce Transactions



- mCommerce is now 34% of all eCommerce transactions globally – based on an accurate weighting of eCommerce market size by country.
- Mobile share is slightly lower in the US than the global average with 29% of eCommerce transactions coming from mobile devices.
- For the first time ever, Japan and South Korea had the majority of their eCommerce transactions via mobile in Q1 2015.

● Mobile now generates over 20% of sales in all retail verticals except “Home”

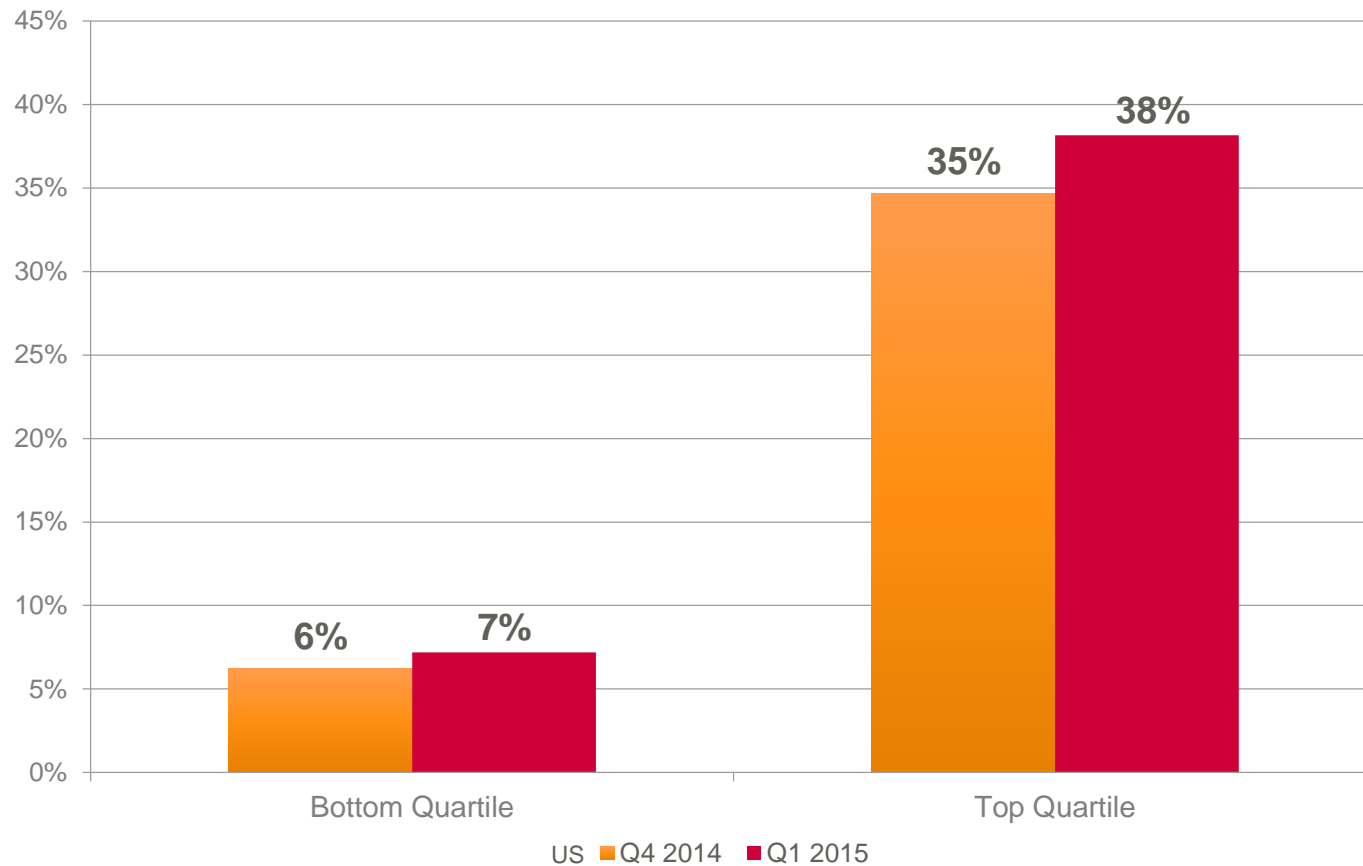
Mobile Share of eCommerce Transactions, by Category



- Fashion and Luxury retailers have the highest share of mobile transactions with Mass Merchants as a close second.
- In contrast, the share of mobile transactions are low in the Home category, which includes home improvement and interior design products. While these are less “impulse” purchases, we often find conversion rates are driven more by the quality of the mobile site experience.

● Increasing divergence between top and bottom quartiles

Mobile Share of eCommerce Transactions, Top vs. Bottom Quartile



Note -Top quartile consists of retailers with the highest share of mobile transactions, and bottom quartile consists of retailers with the lowest share of mobile transactions.

- The move to eCommerce is repeating itself: leaders are seeing a very rapid growth in mCommerce, while laggards appear to be stagnant.
- As a result the gap between top and bottom quartile is widening.
- US top quartile saw dramatic growth in the last 3 months, and the experience of Japan demonstrates that this can continue to rapidly grow.
- The bottom quartile has grown only 1 percentage point, and should be addressing weaknesses in their mobile proposition as a major risk to their business. Often this requires site optimization, and much more mobile-focused marketing.

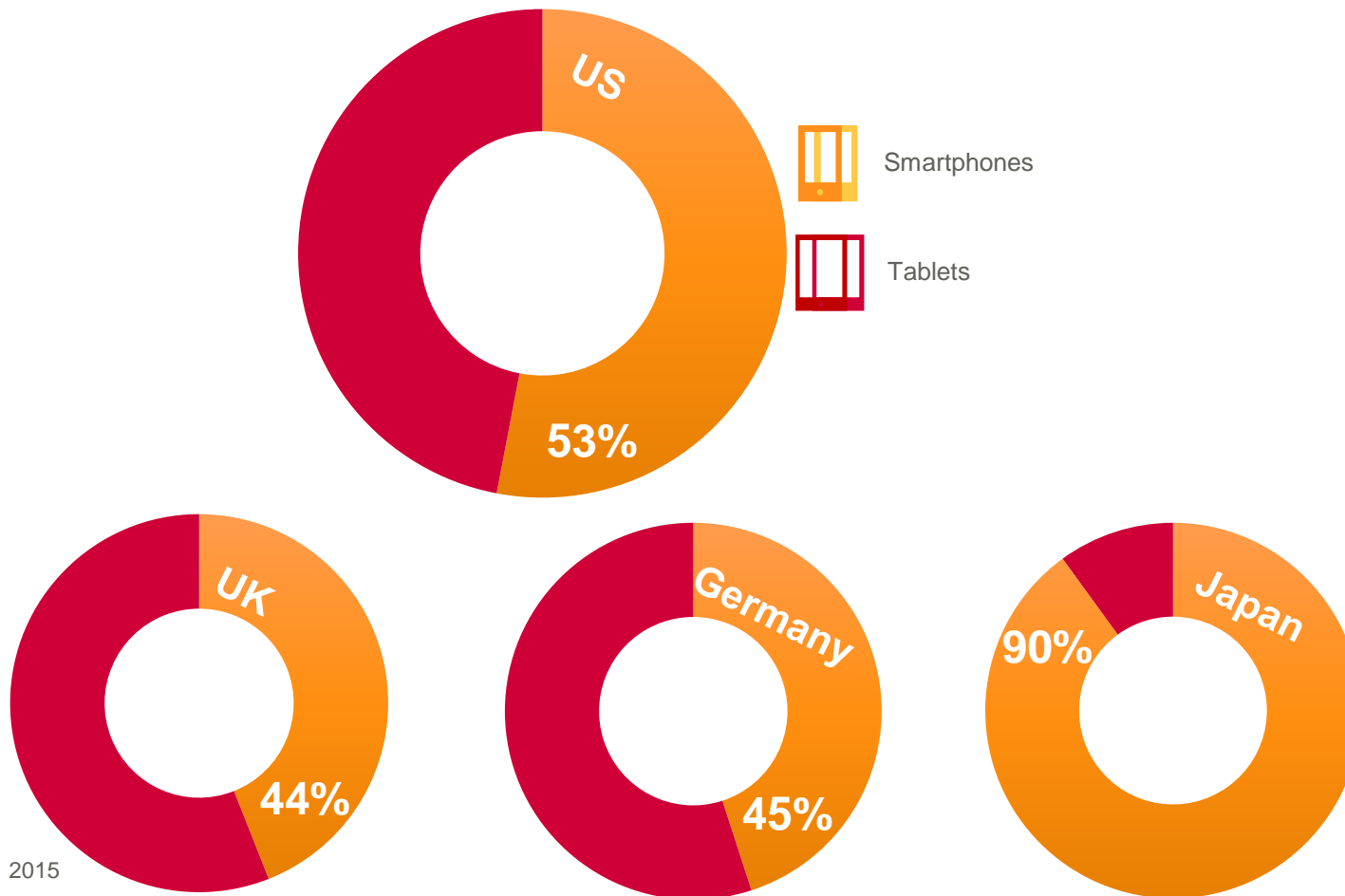
#2

It's all about
smartphones.



● Smartphones now bring the majority of US mobile sales

Smartphone vs. Tablet Share of Mobile Transactions



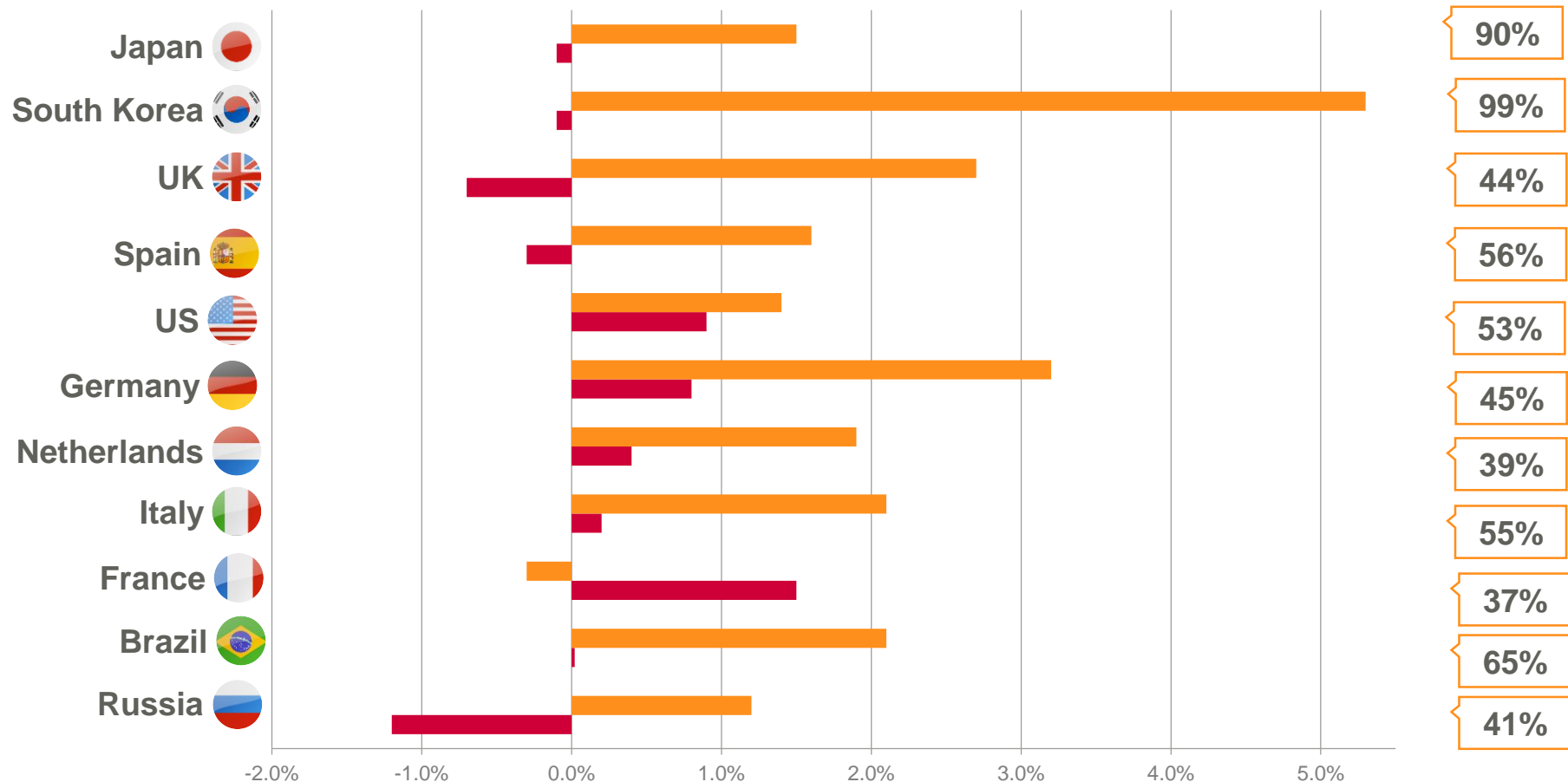
Q1 2015

- The majority of mobile transactions in the US come from smartphones, more than share of smartphone transactions in the UK and Germany.
- Even though the conversion rates on smartphone are lower than desktop or tablet, smartphones generate more transactions due to significantly higher traffic.
- With the introduction of larger screen-sizes, such as with the iPhone 6 and Samsung Galaxy, consumers are finding smartphones a convenient way to complete purchases.
- Smartphone share of mobile transactions will continue to grow. Japan demonstrates just how high it can go.

● Mobile growth is driven by smartphones globally

Smartphone and Tablet Growth of eCommerce Transactions (Q4 2014 – Q1 2015)

% Mobile Sales from Smartphone, Q1 2015



- Over the last quarter, smartphone growth outpaced tablet.
- In the US and most other countries, smartphones represent more mobile transactions than tablets.
- Asia leads the way in smartphone purchases with nearly all purchases occurring on smartphones.



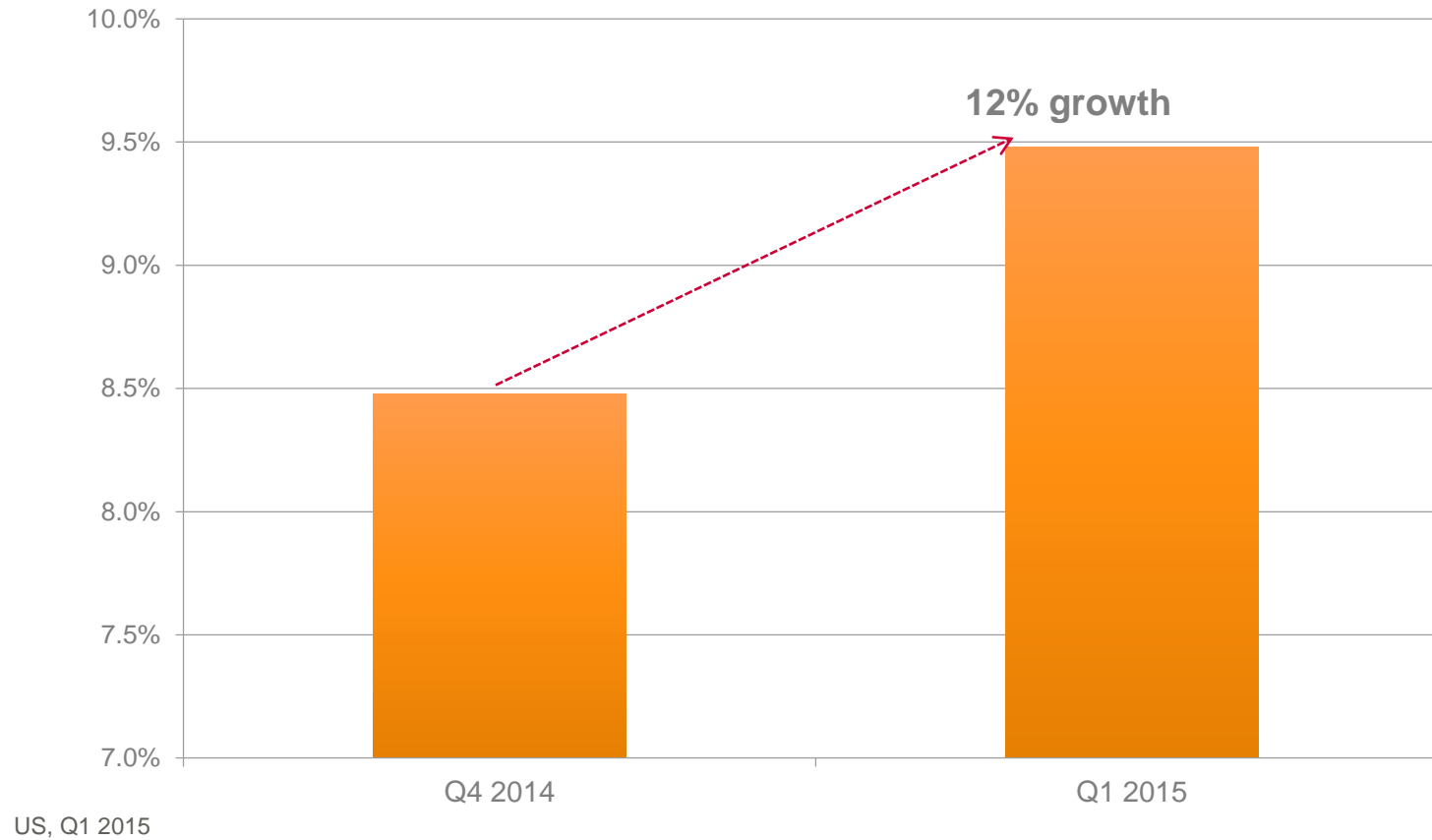
Smartphones



Tablets

● Growth of mCommerce on iPhone is even faster than on other devices

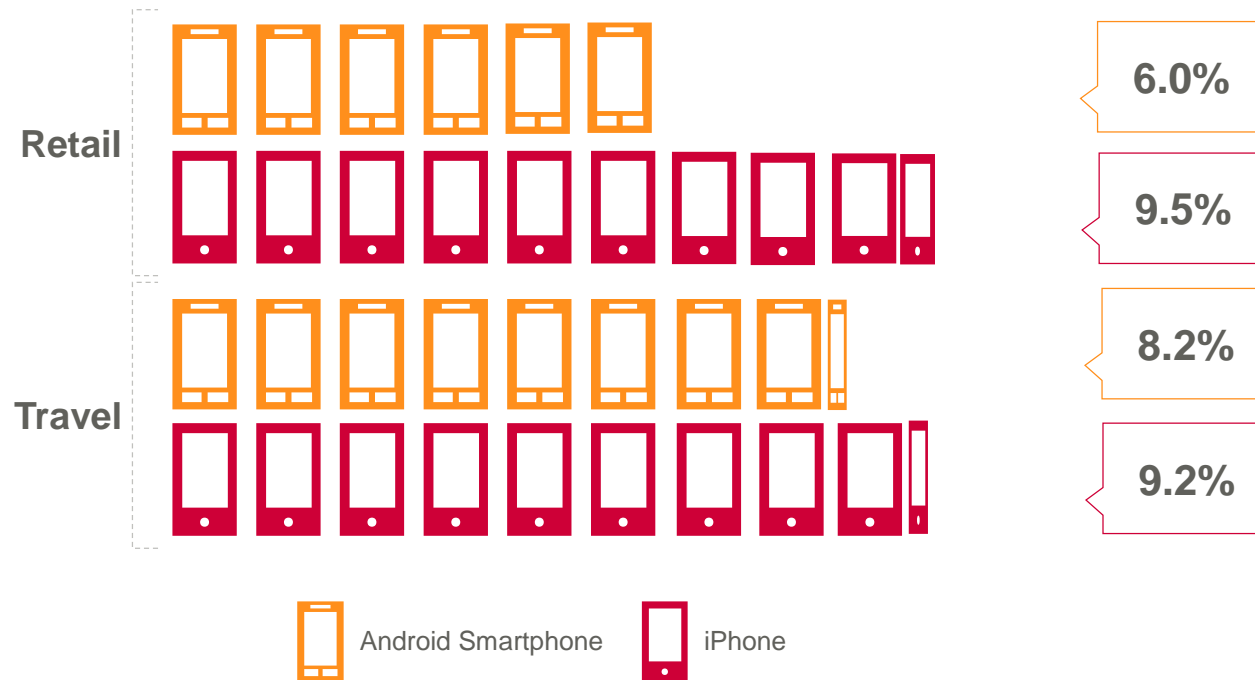
iPhone Share of eCommerce Transactions



- iPhone share of eCommerce transactions has grown 12% over the last quarter.
- As a result, almost 10% of all US eCommerce transactions took place on an iPhone in Q1 2015.

● Android mCommerce remains significant and continues to grow

iPhone and Android Smartphone Share of eCommerce Transactions



- Android smartphones account for 6% of eCommerce transactions in retail, and 8% in travel.
- Apple continues to dominate on tablets. iPad accounts for 11% of retail transactions vs. only 2% from Android tablets.

US, Q1 2015

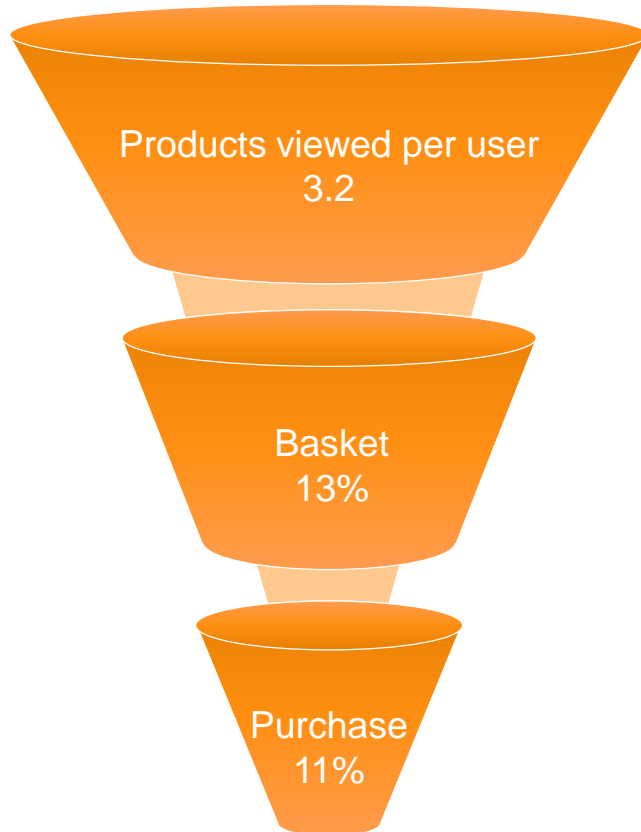
#3

The mobile conversion
funnel has arrived.



- In the US, mobile conversion funnel looks similar to desktop but with weaker completion rates

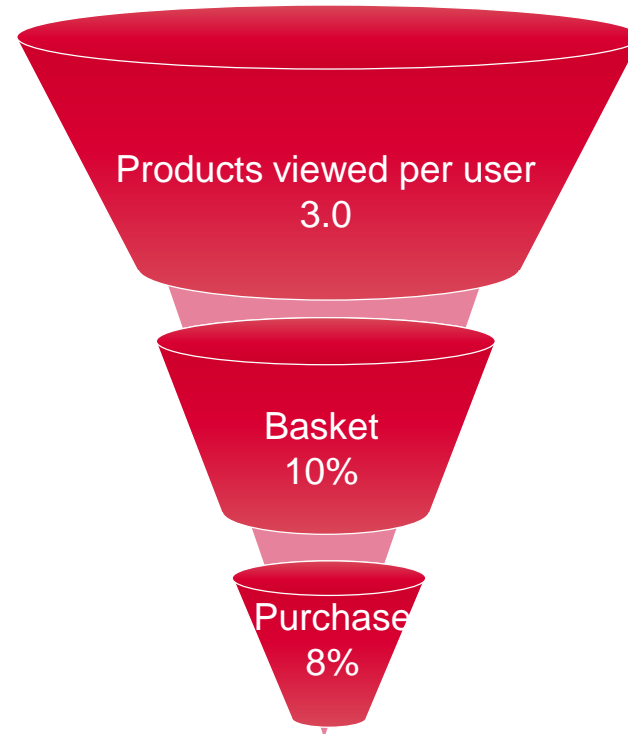
Desktop Funnel



US, Q1 2015

4.55% conversion rate

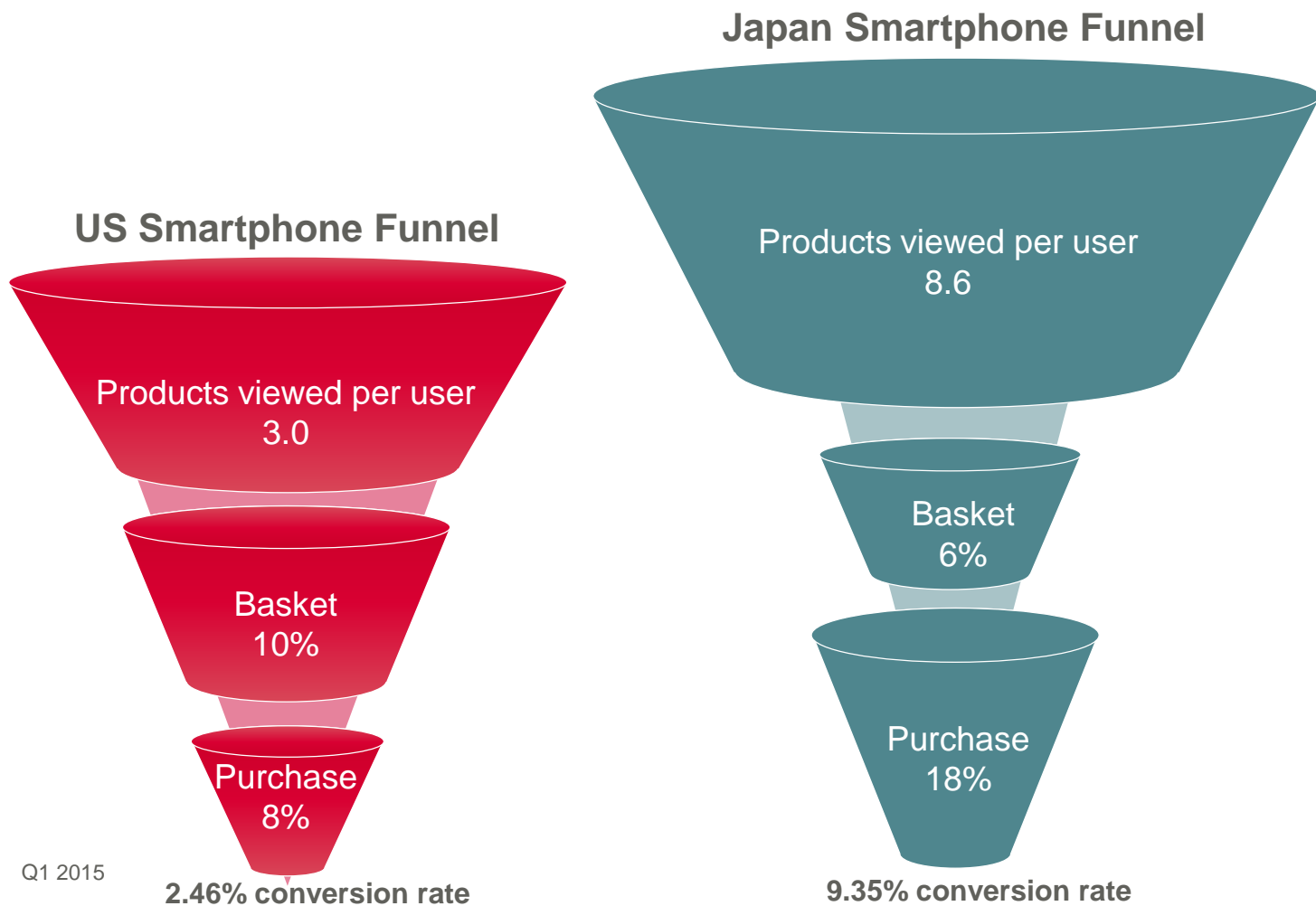
Smartphone Funnel



2.46% conversion rate

- Consumers tend to view the same number of products on smartphone and desktop.
- Add-to-basket rate and purchase rate is lower on mobile. This suggests that completing a purchase is often not sufficiently simple.

● In more mature markets, mobile funnel looks completely different from desktop



- In Japan, shoppers view 3x more products on smartphone than the US: mobile is delivering a much more engaging browsing experience.
- Purchase completion in Japan is more than twice the level of the US. This demonstrates weaknesses with mobile payment in the US that will likely be solved as the market matures.
- As a result Japan has almost 4X the conversion rate on smartphones than in the US, even with Japan's lower add-to-basket rate.

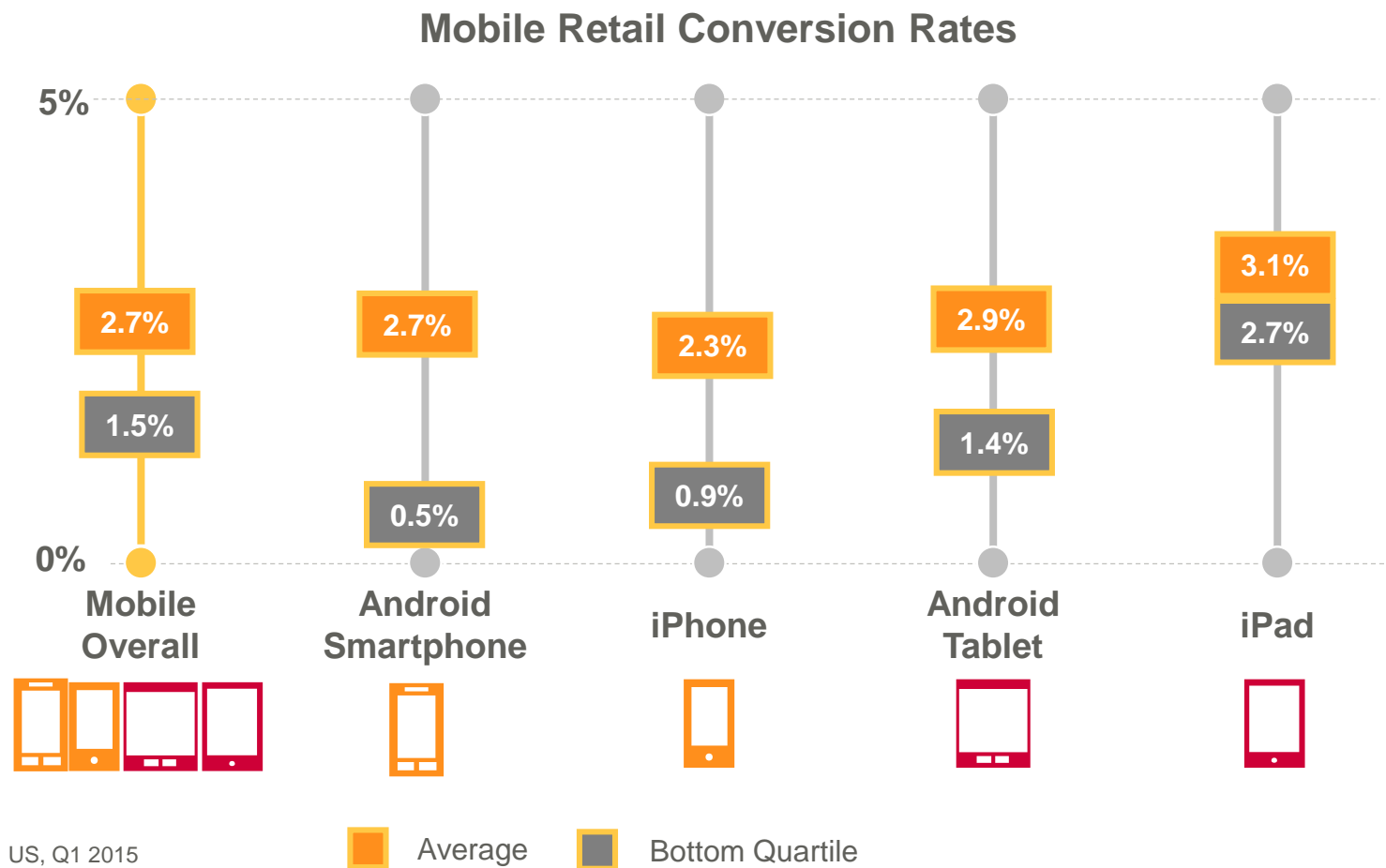
Q1 2015

Conversion Rate = (No. of Sales) / (No. of Users)

Users include those with more than a single event on the websites.

Each time a visitor sees a web page, adds a product to the basket, or makes an online payment, etc., it is counted as an event.

● Low conversion rates for retailers indicate a missing opportunity



- Mobile at 2.7% still has lower conversion than desktop at 4.4%.
- Variations in conversion rate between mobile devices are no longer very high.
- Top quartile retailers see a slightly higher conversion rate than average, but the striking observation is the very low conversion rates from bottom quartile retailers.

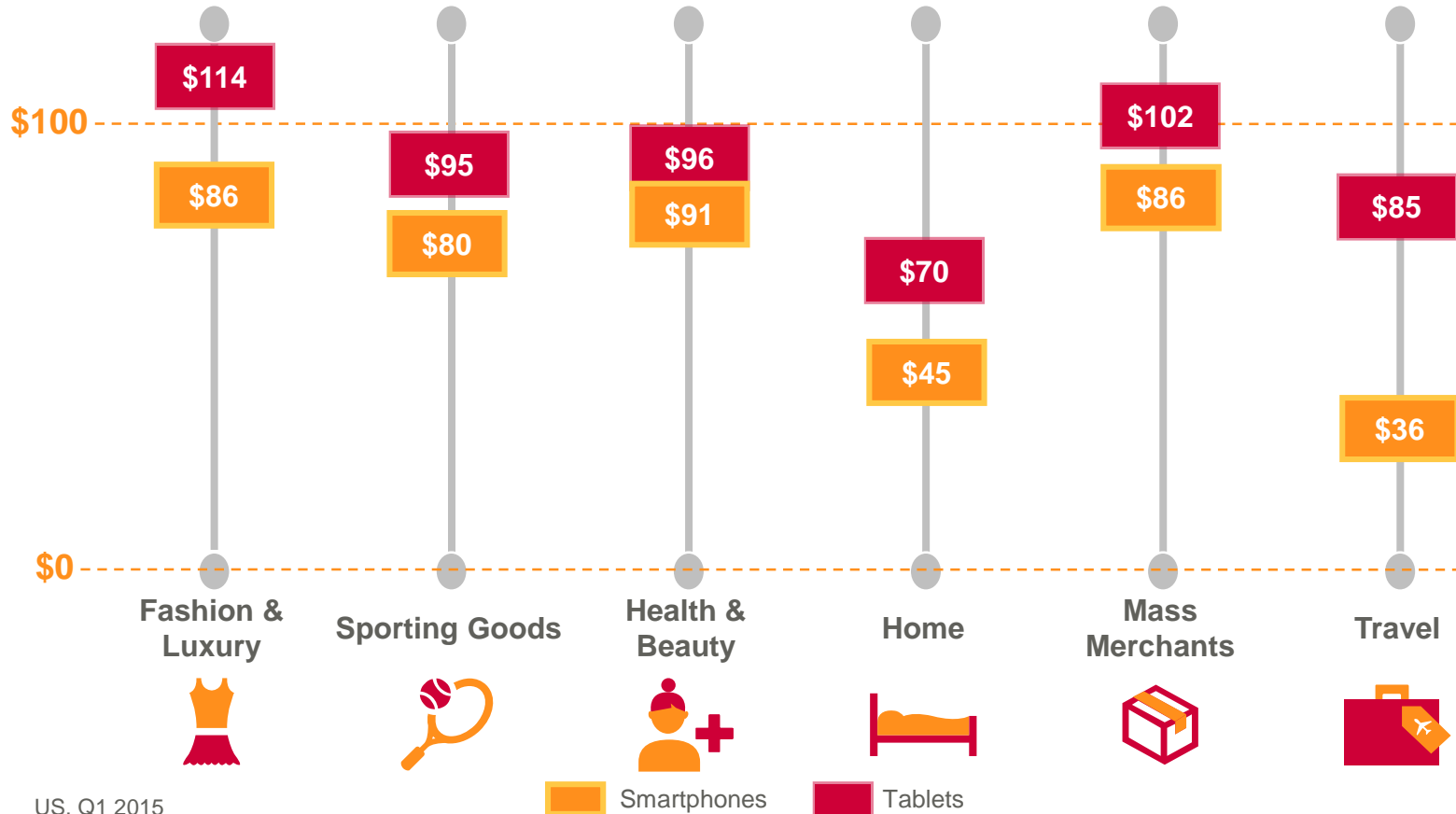
Conversion Rate = (No. of Sales) / (No. of Users)

Users include those with more than a single event on the websites.

Each time a visitor sees a web page, adds a product to the basket, or makes an online payment, etc., it is counted as an event.

● Mobile average order value is close to desktop

Mobile Order Values Compared to \$100 Spent on the Desktop

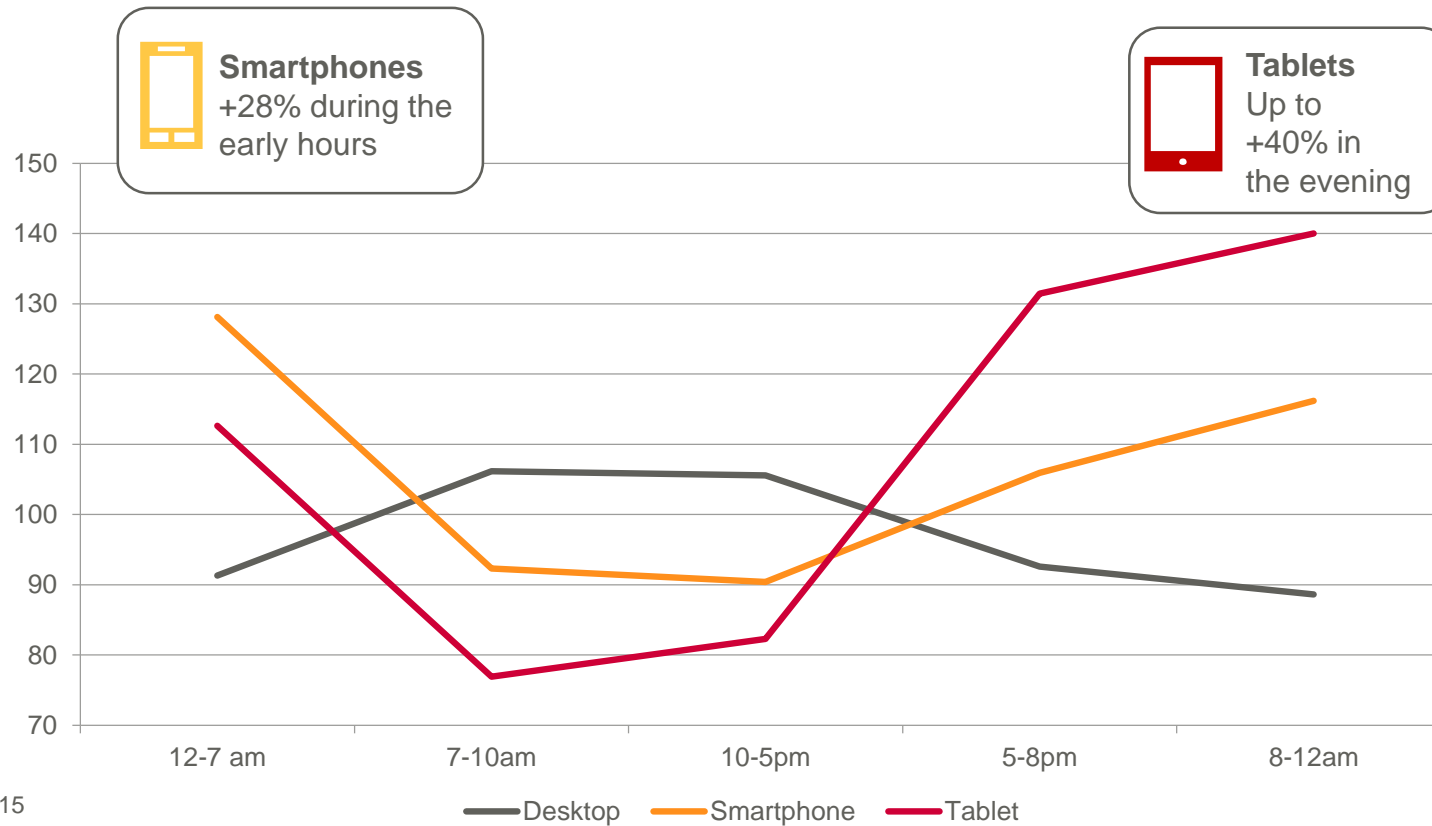


- Consumers are especially comfortable buying on tablets and order values on tablets have surpassed desktop in many categories.
- Smartphone order values are close to desktop for both the Health & Beauty and Mass Merchants categories. Products for these categories are low-cost and drive repeat purchases, lending themselves well for smartphone convenience.
- Travel smartphone order value reflects the growth of a whole new segment of “same night” hotel booking.

● Desktop is increasingly just for working hours

% Mobile Transactions by Device and Time of Day

indexed – 100=average share over day



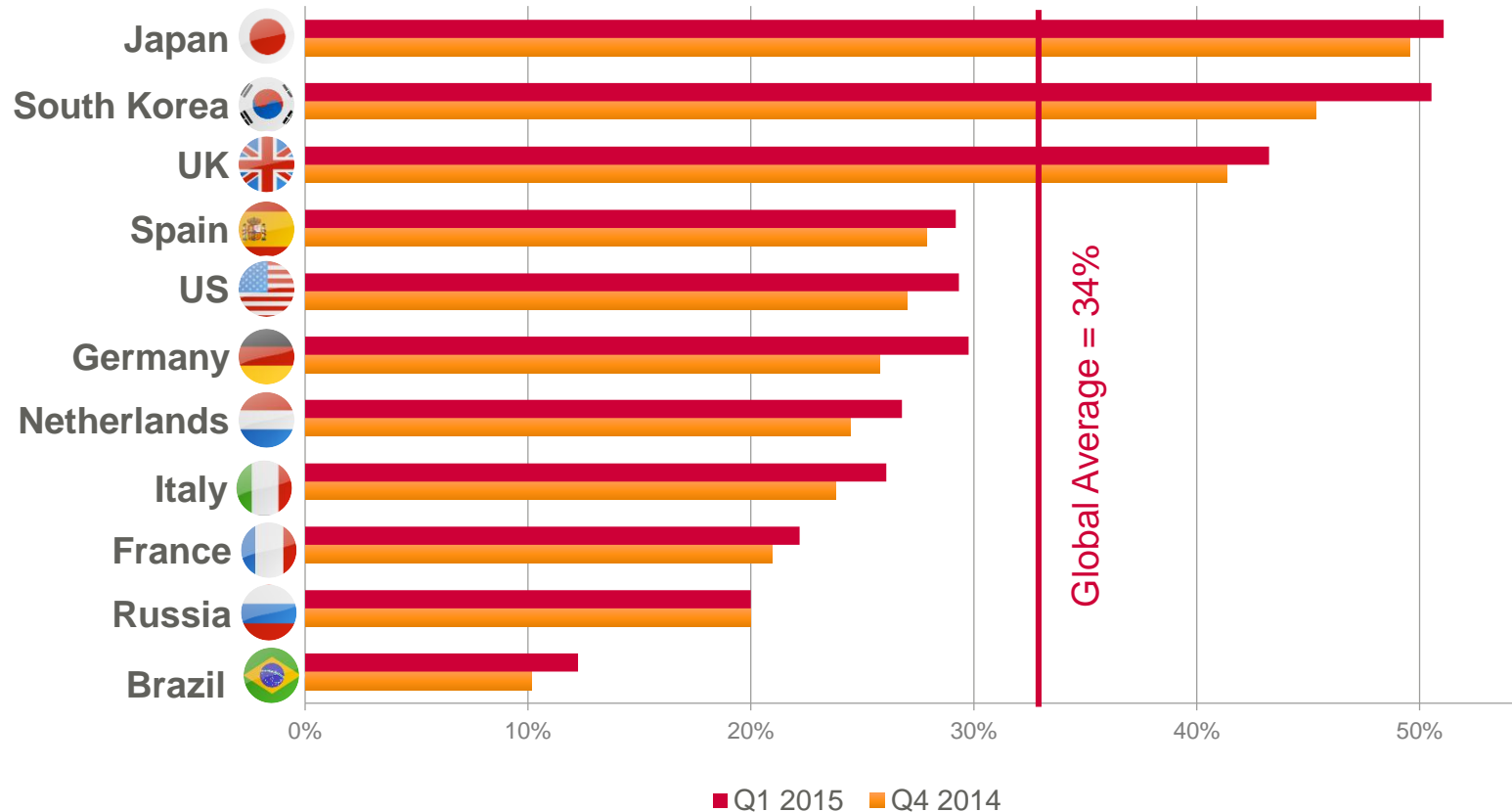
- Desktop purchases tend to happen during work times and shoppers switch to mobile during leisure time.
- Smartphones are popular during the early hours in the morning with 28% more purchases occurring.
- Tablets are more popular during the evenings with 40% higher transactions.

A person's hands are shown holding a gold Mitsui Sumitomo Visa Card and a silver smartphone. The card is held in the left hand, and the phone is held in the right hand. The background is a light-colored desk with some books and a colorful patterned object. An orange circle is overlaid on the right side of the image, containing the text "Global Mobile Commerce Trends".

Global Mobile Commerce Trends

● Japan and South Korea surpassed 50% mobile share this quarter

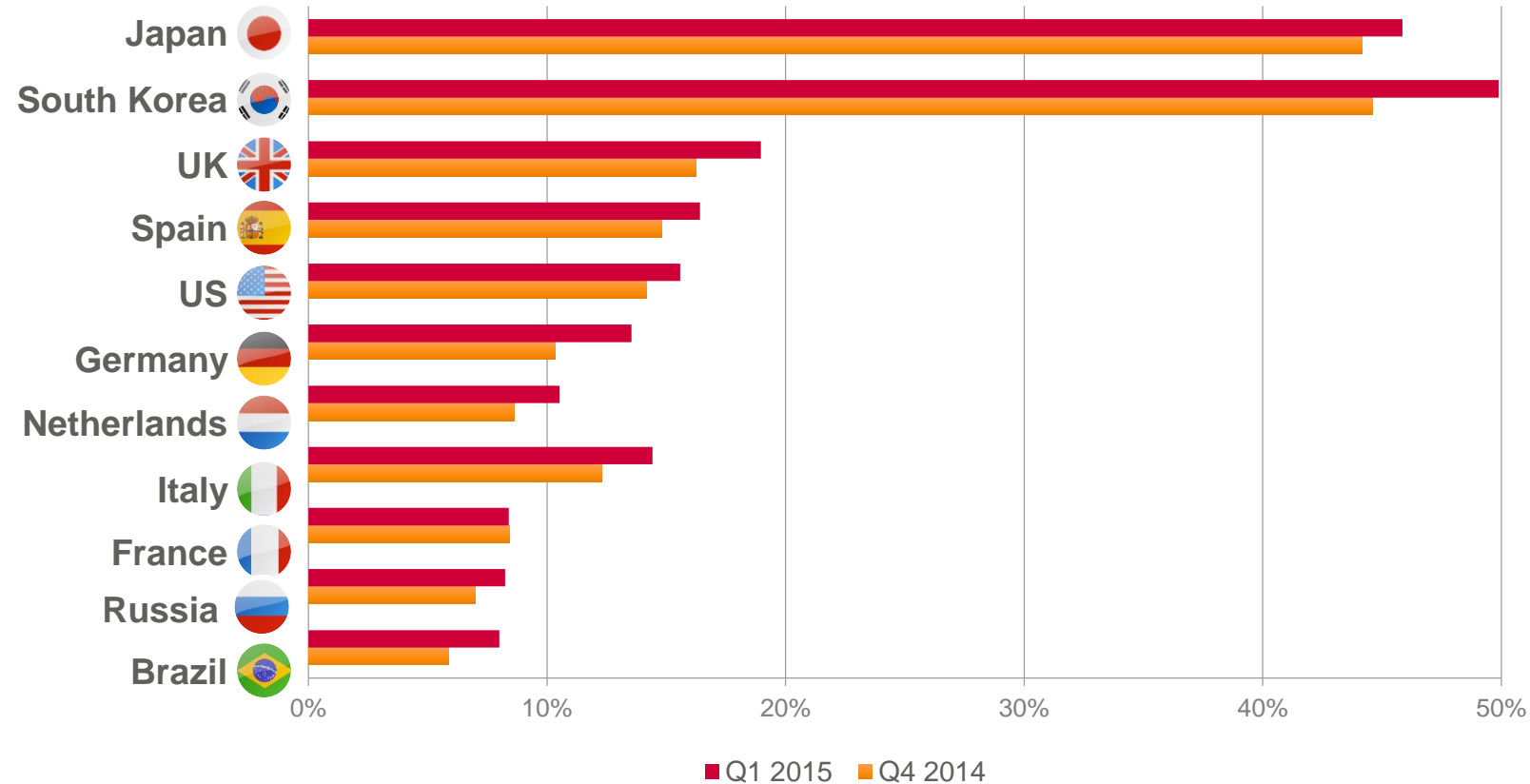
Mobile Share of Retail eCommerce Transactions



- Japan, South Korea and the UK are the most advanced markets for mobile shopping.
- Mobile share of eCommerce is now over 50% in Japan and South Korea, and more than 40% in the UK.
- Mobile transaction growth from Q4 2014 to Q1 2015 is significant across the globe, ranging from 10% in the US to 16% in Germany.

● Smartphone is becoming the dominant mobile channel worldwide

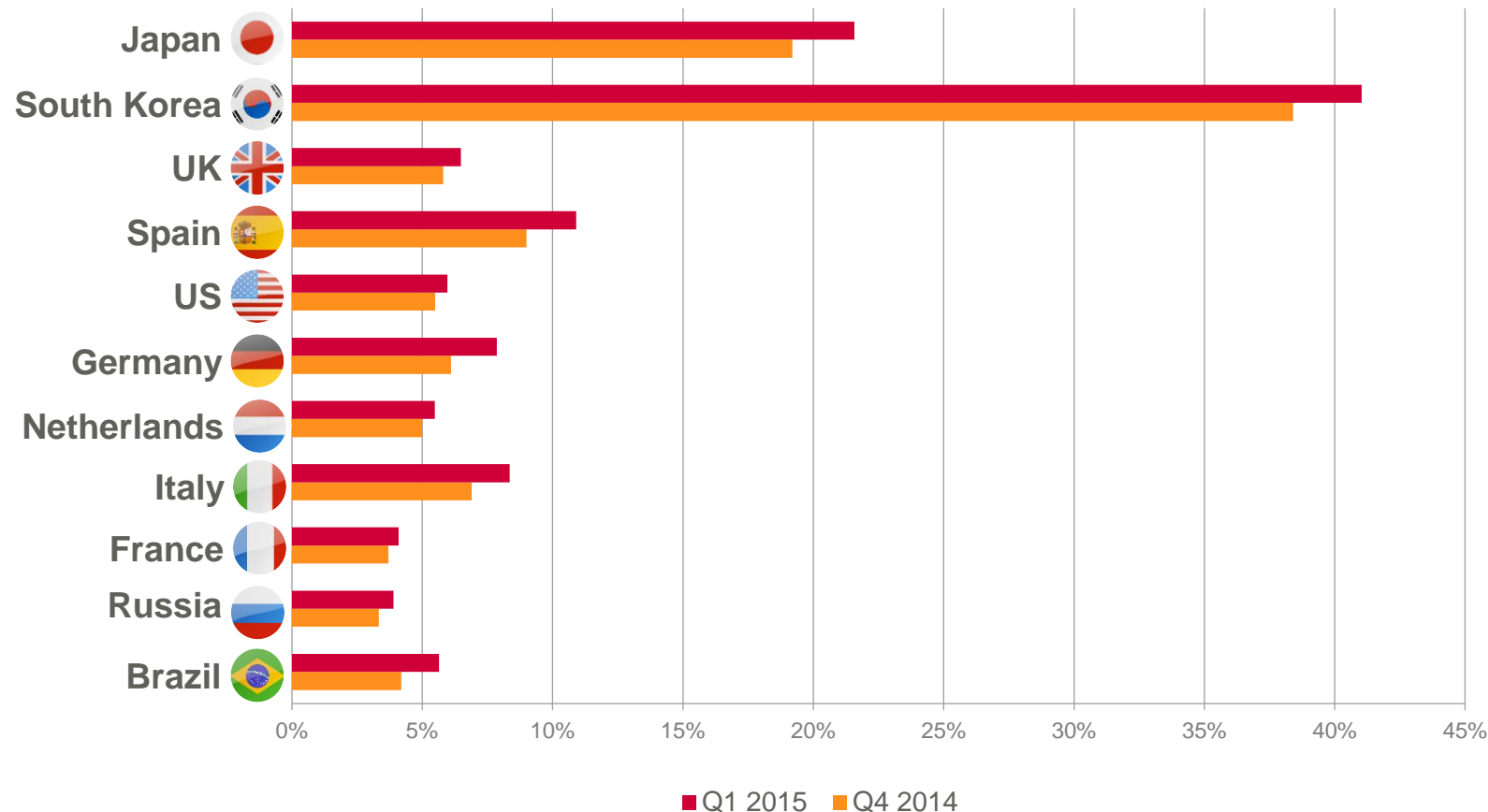
Smartphone Share of Retail eCommerce Transactions



- Asia leads the way in smartphone purchases with close to 50% of eCommerce transactions happening on smartphones.
- In Western markets, smartphone share has grown over 10% in the last 3 months.

● Android smartphone share has grown across all countries globally

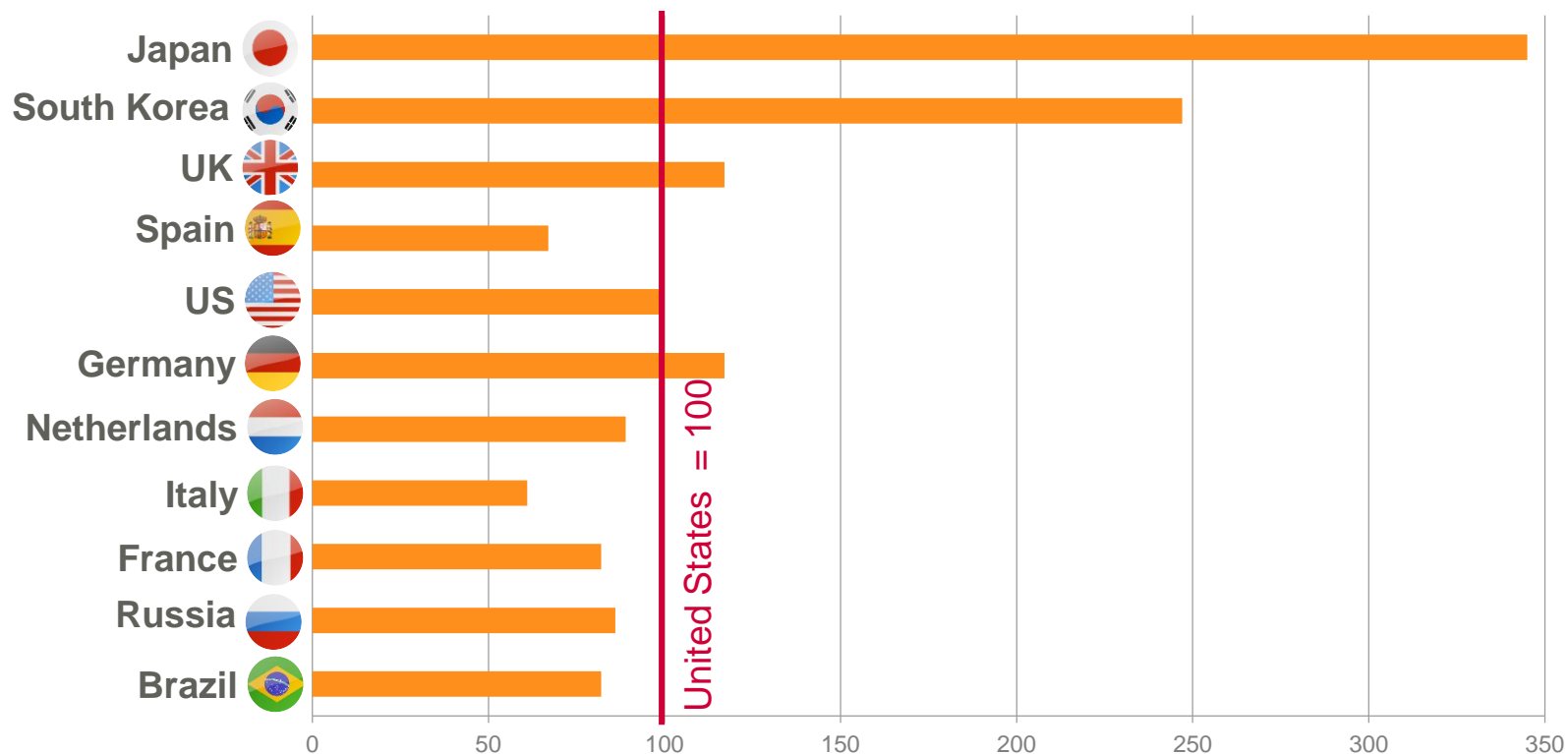
Android Smartphone Share of Retail eCommerce Transactions



- Android delivers a significant share of smartphone transactions across the globe, greater than iPhone in Germany, Italy, Spain, Brazil and South Korea.
- Share of transactions from iPhone is higher than Android only in the US, UK and Japan.

● Most countries have similar mobile conversion to US, except in Asia

Retail Mobile Conversion Rates Compared to the US
(Benchmarked at 100)



Q1 2015

- Only Japan, South Korea, UK and Germany outperform the US in mobile conversion.
- Mobile conversion rates in Japan are more than 3.5x higher than the US.
- If US conversion rates matched Japan, then mobile would deliver over half of all US eCommerce today.

Conversion Rate = (No. of Sales) / (No. of Users)

Users include those with more than a single event on the websites.

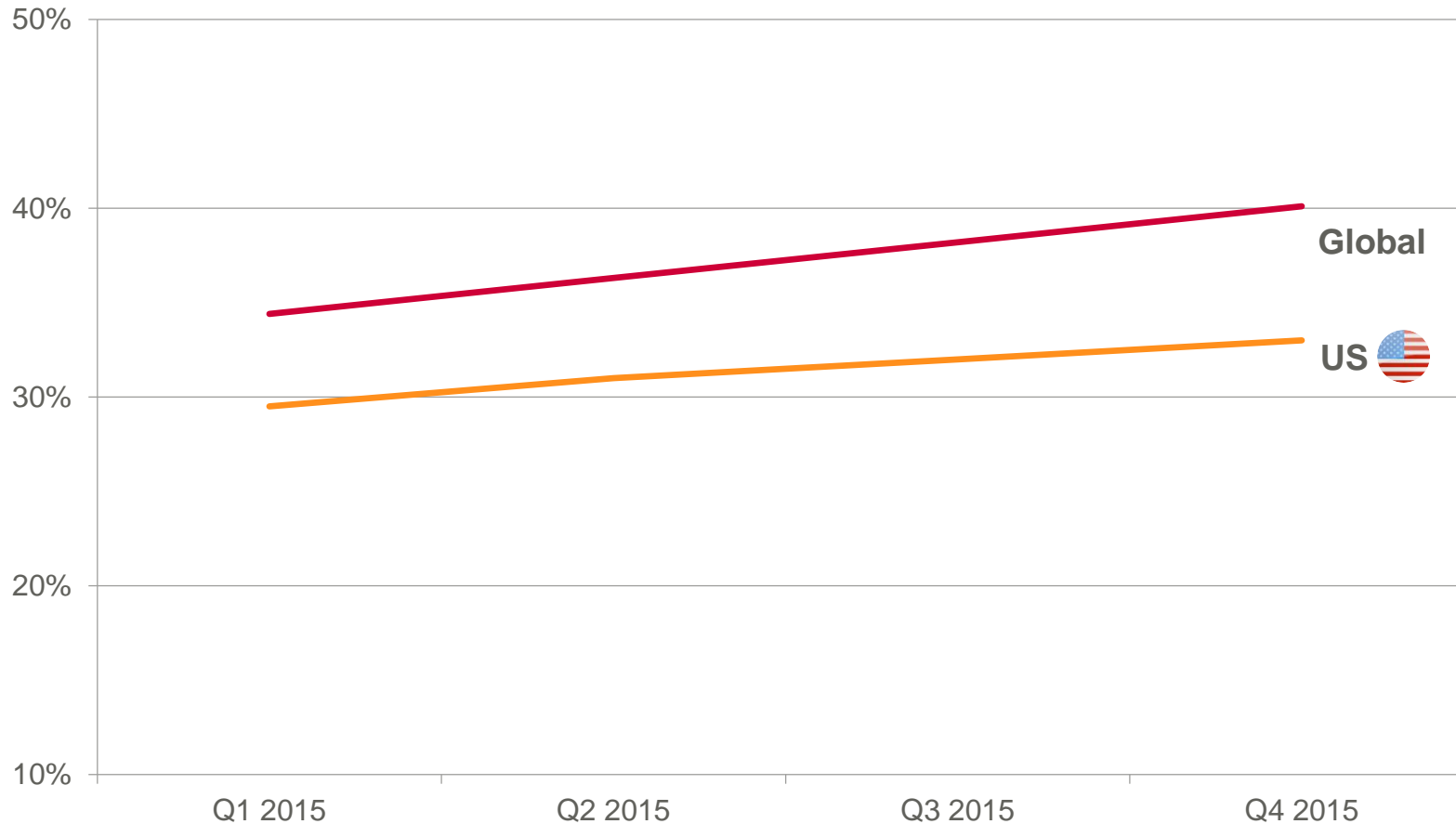
Each time a visitor sees a web page, adds a product to the basket, or makes an online payment, etc., it is counted as an event.

A person's hands are shown in the foreground, holding a white smartphone and a small, wrapped cardboard box. The person is standing in front of a white shelving unit filled with various boxes and packages. The background is slightly blurred, showing more shelves and boxes. An orange circle is overlaid on the left side of the image, containing the text "What will the future look like?".

**What
will the future
look like?**

● US mobile transactions to grow another 10% by end of year











Forecast of mobile share of eCommerce transactions



- We forecast US mobile transactions to reach 33% by the end of 2015.
- Globally, mobile share of eCommerce is forecast to grow from 34% in Q1 2015 to 40% by the end of the year.

- mCommerce will be 40% of eCommerce by end of 2015

Share of mobile transactions, by Country

	Q1 2015	Q4 2015 (Forecast)
 Japan	51%	61%
 South Korea	50%	57%
 UK	43%	45%
 Spain	29%	36%
 US	29%	33%
 Germany	30%	37%
 Netherlands	27%	30%
 Italy	26%	29%
 France	22%	28%
 Brazil	12%	20%
Global	34%	40%

- Japan is forecast to surpass 60% of eCommerce on mobile by the end of the year.
- US and Europe will continue to have strong growth in mobile transactions, but will remain well behind Asian levels of penetration.

● So what does the future hold?

We see five big trends:

- **Growth in mCommerce is unstoppable.** By year-end, mobile share of eCommerce transactions is forecast to reach 33% in the US, and 40% globally.
- **Smartphones will continue to displace slower-growing tablets.** Larger screen phones will be an added accelerant to this existing trend.
- **The smartphone conversion funnel is different:** Advertisers in Western markets will focus heavily on improving their mobile websites, leading to dramatic increases in product browsing. Purchase rates will also improve as mobile payments become more seamless.
- **Apple and Android continue to battle it out, but both are winners vs. a shrinking desktop.**
- **Understanding cross-device behavior will be the biggest challenge and opportunity** for marketers in 2015, as a majority of users visit their sites via multiple devices.

About Criteo

Criteo delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 1,300 employees in 23 offices across the Americas, Europe and Asia-Pacific, serving over 7,000 advertisers worldwide with direct relationships with over 9,000 publishers.

Criteo ads reach over 1 billion unique Internet users (comScore, December 2014).

For more information, please visit <http://www.criteo.com>.

This and future Mobile Commerce reports can be found at www.criteo.com/resources

Methodology – This reports findings come from individual transaction level data sourced solely from Criteo based on a selection of around 3,000 online retail and travel businesses globally who have approximately 1.4 billion transactions per year on their desktop and mobile sites, resulting in approximately \$160 billion worth of annual sales. The data analyzed is for consumer browsing and shopping behavior in Jan- Feb 2015, across desktop and mobile (smartphone + tablet) devices including iPhone, iPad, and Android smartphones and tablets.

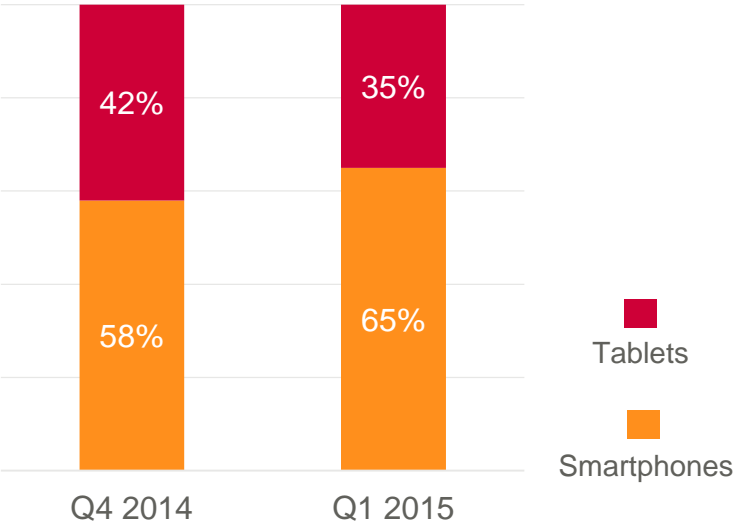
Appendix: Country Specific Data

Brazil mobile shopping trends

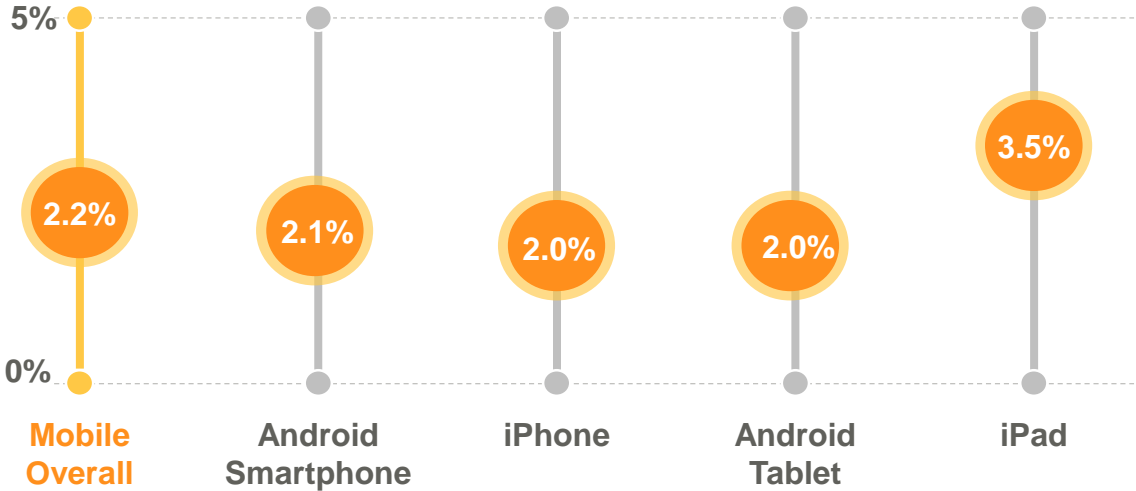
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	6%	2%	1%	3%	12%
> Q4 2014	4%	2%	1%	3%	10%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

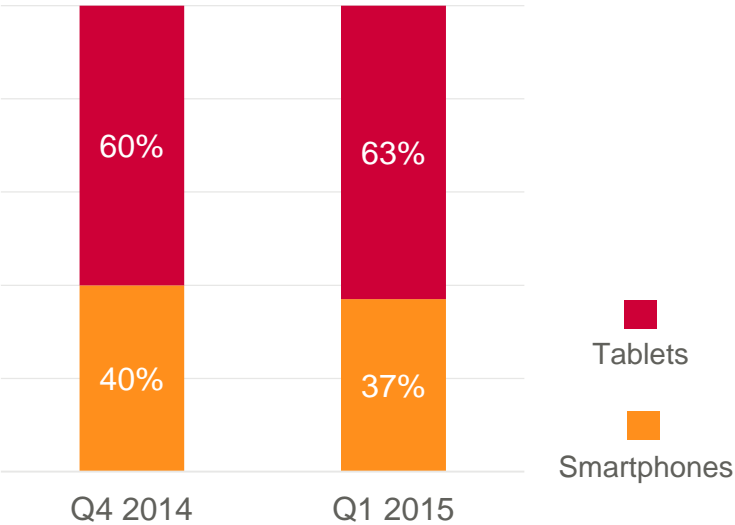


France mobile shopping trends

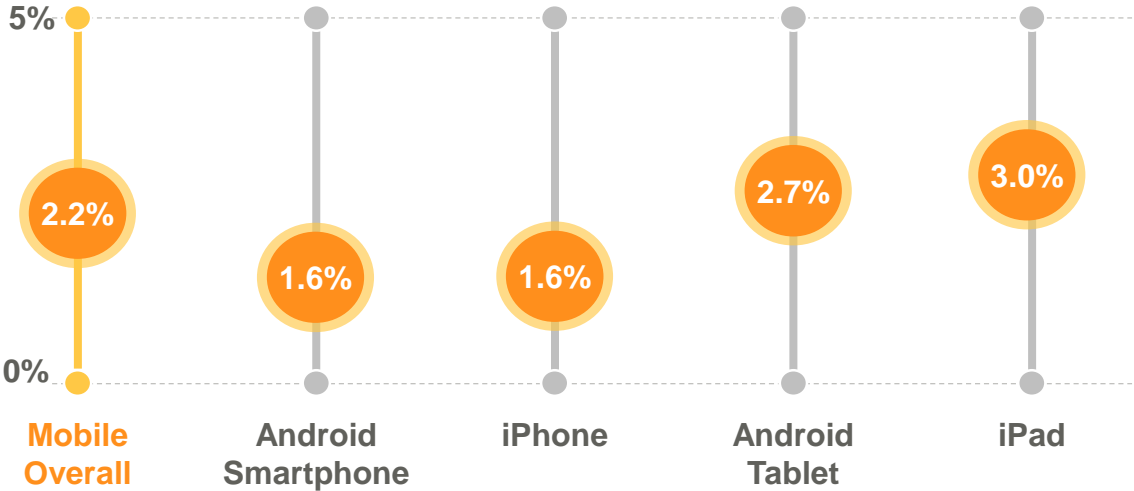
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	4%	4%	5%	9%	22%
> Q4 2014	4%	4%	3%	9%	21%

Smartphone vs. Tablet (% Mobile Transactions)



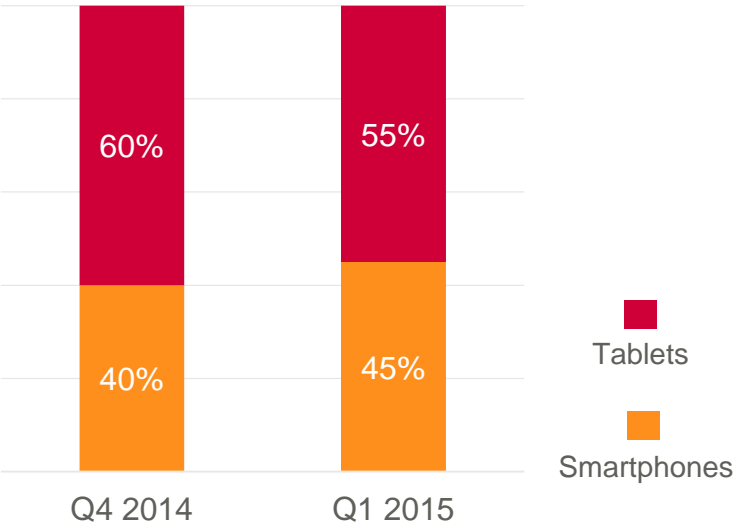
Mobile Retail Conversion Rates, Q1 2015



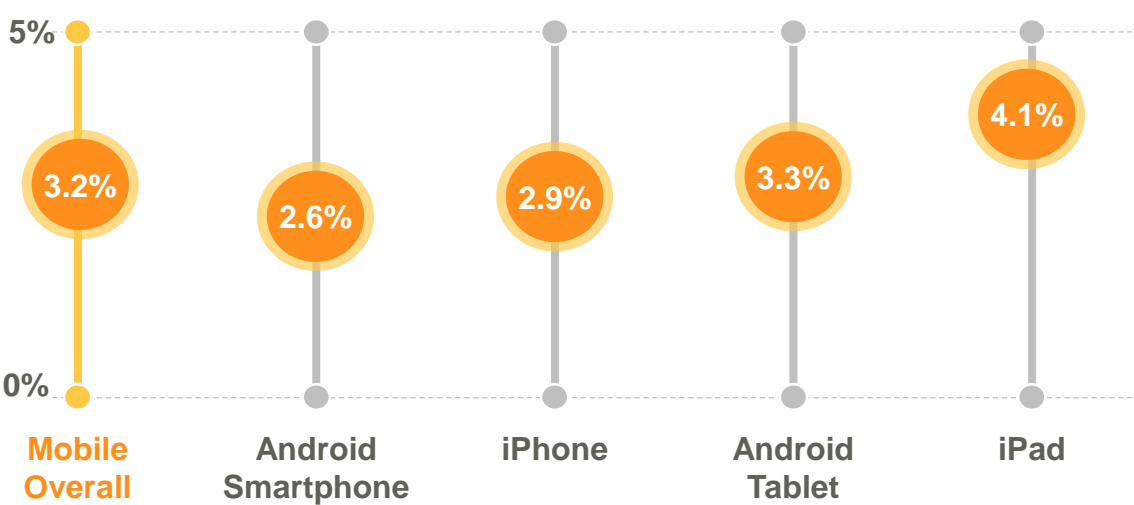
Germany mobile shopping trends

Share of eCommerce Transactions by Device					
	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	8%	6%	5%	11%	30%
> Q4 2014	6%	4%	5%	11%	26%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

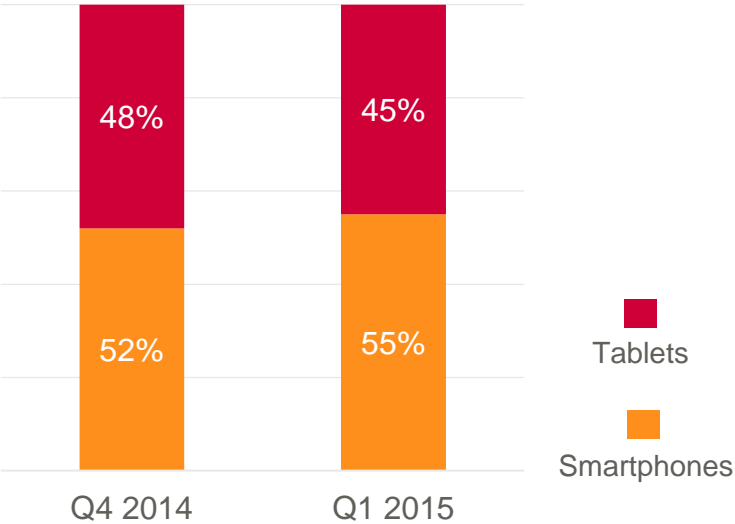


Italy mobile shopping trends

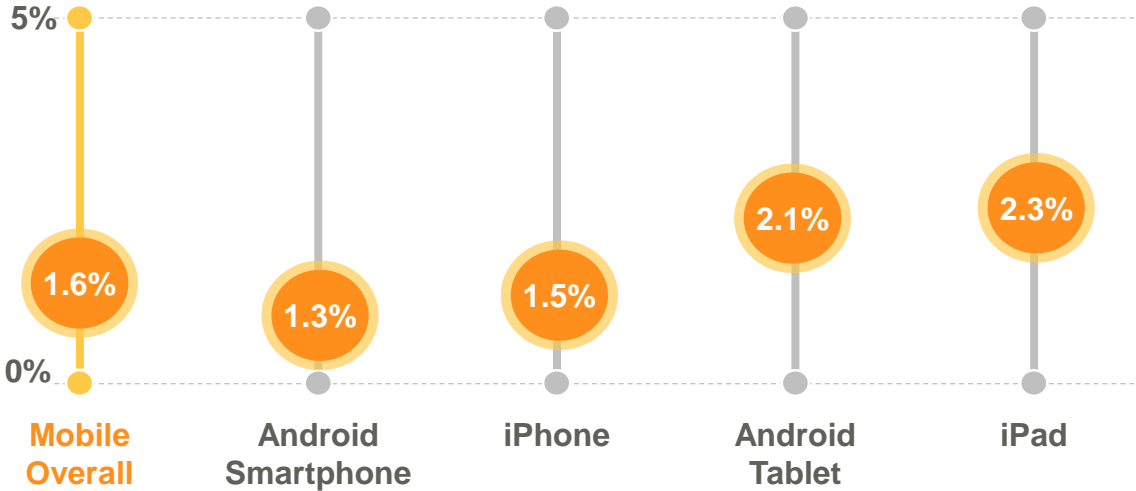
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	8%	5%	4%	8%	26%
> Q4 2014	7%	5%	3%	8%	24%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

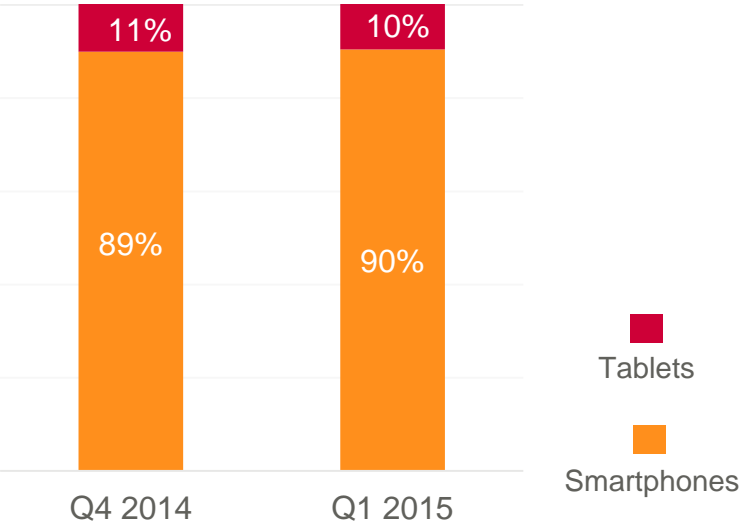


Japan mobile shopping trends

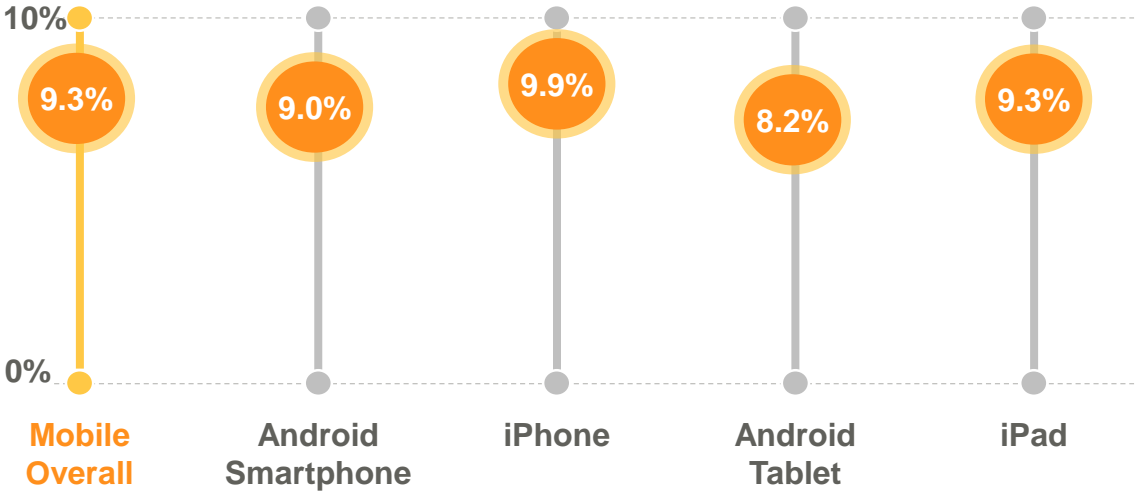
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	22%	24%	2%	4%	52%
> Q4 2014	19%	25%	2%	4%	50%

Smartphone vs. Tablet (% Mobile Transactions)



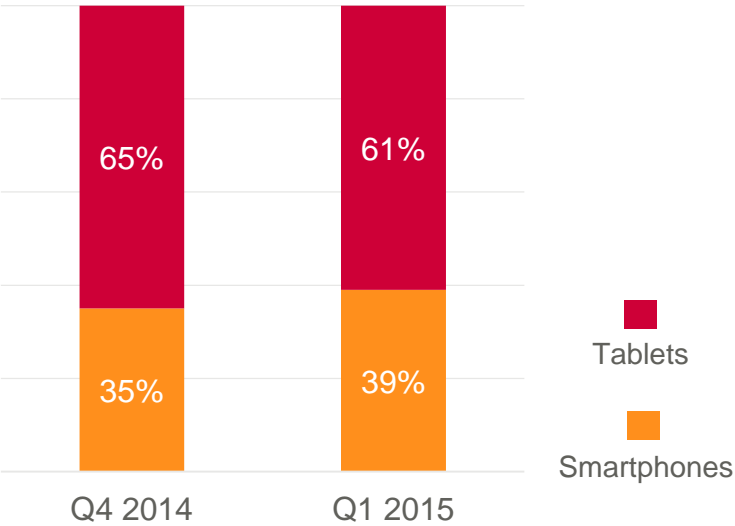
Mobile Retail Conversion Rates, Q1 2015



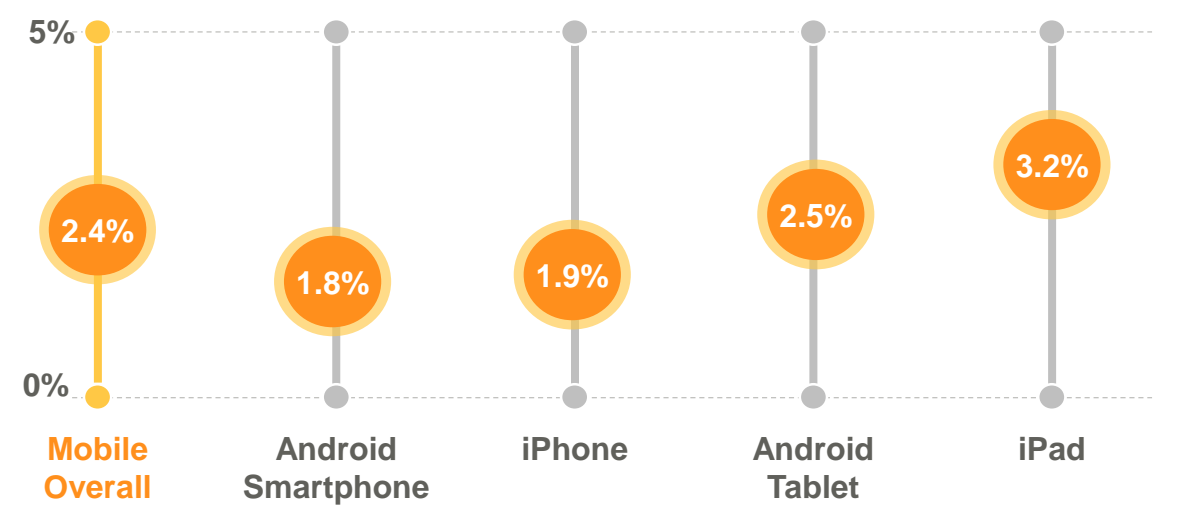
Netherlands mobile shopping trends

Share of eCommerce Transactions by Device					
	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	5%	5%	3%	13%	27%
> Q4 2014	5%	4%	3%	12%	24%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

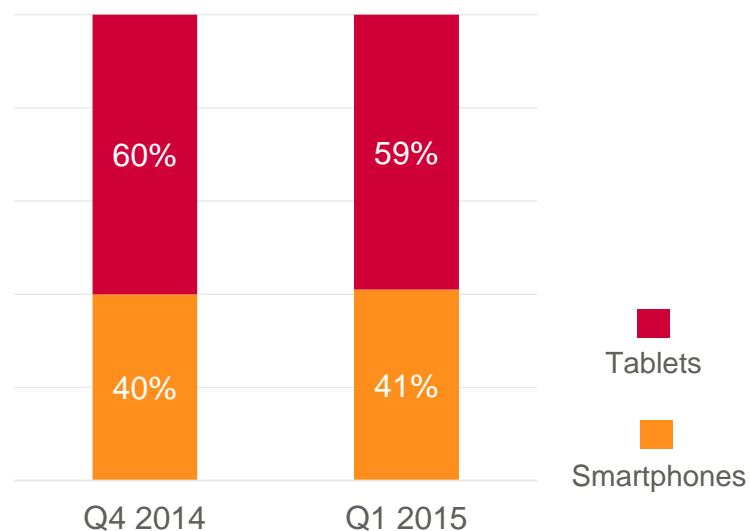


Russia mobile shopping trends

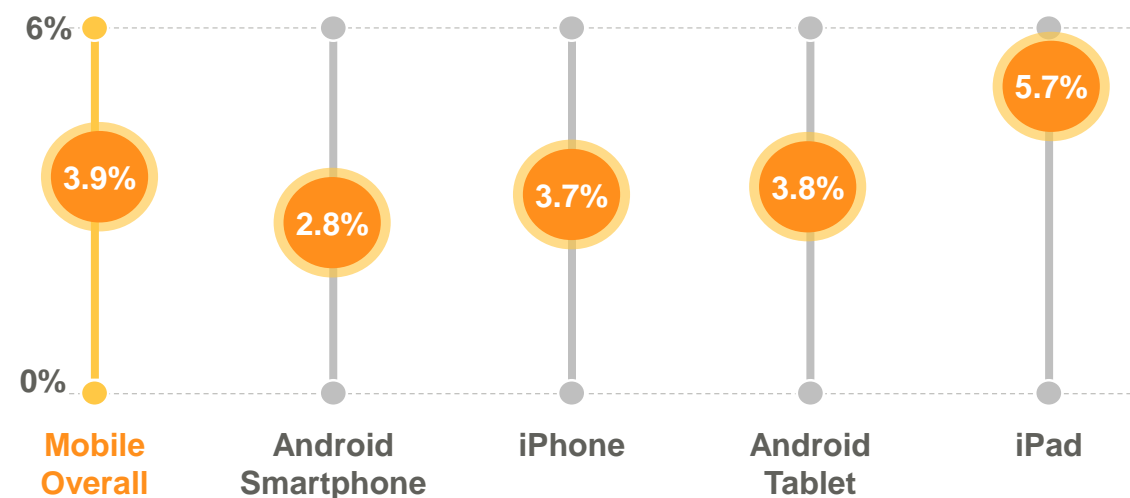
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	4%	4%	4%	8%	20%
> Q4 2014	3%	3%	4%	9%	20%

Smartphone vs. Tablet (% Mobile Transactions)



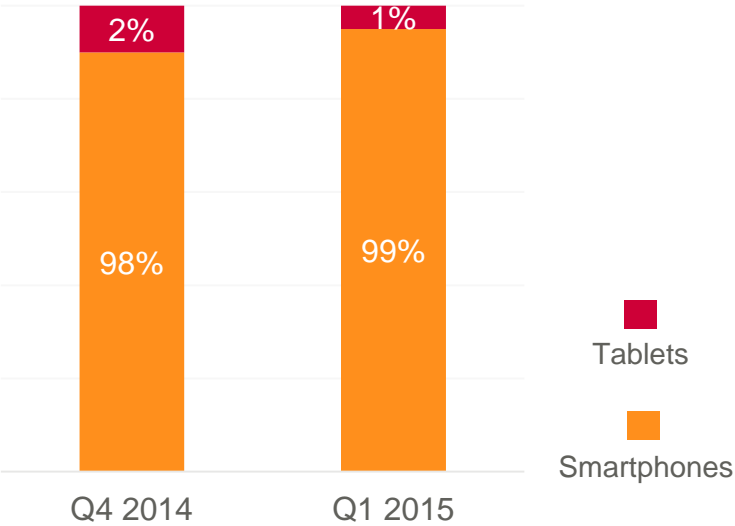
Mobile Retail Conversion Rates, Q1 2015



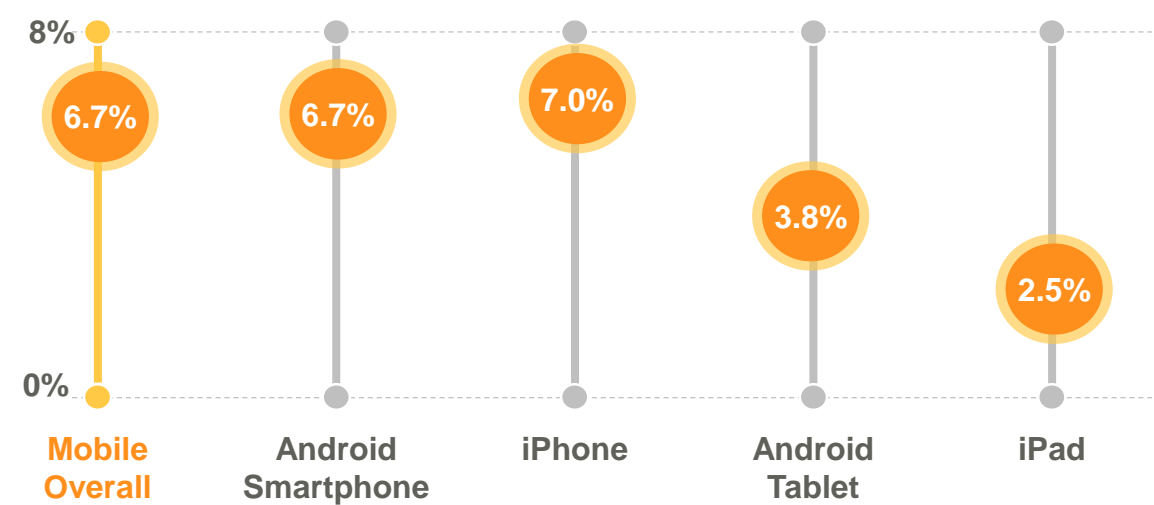
South Korea mobile shopping trends

Share of eCommerce Transactions by Device					
	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	41%	9%	<1%	<1%	51%
> Q4 2014	38%	6%	<1%	<1%	45%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

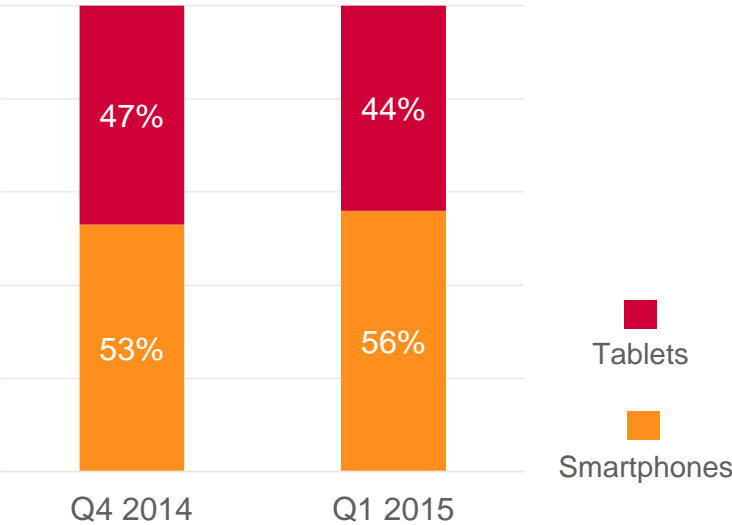


Spain mobile shopping trends

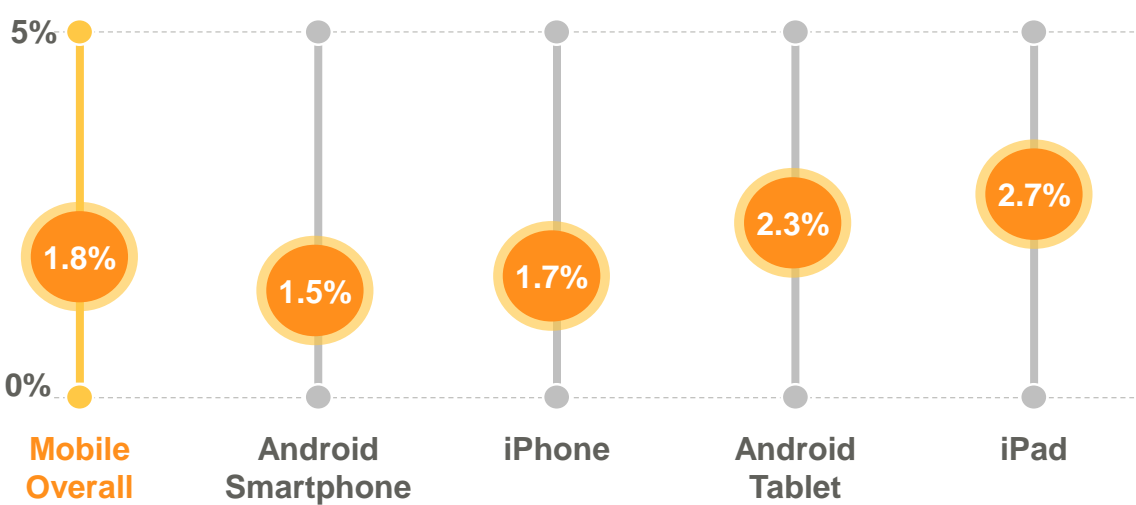
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	11%	5%	4%	9%	29%
> Q4 2014	9%	6%	3%	10%	28%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

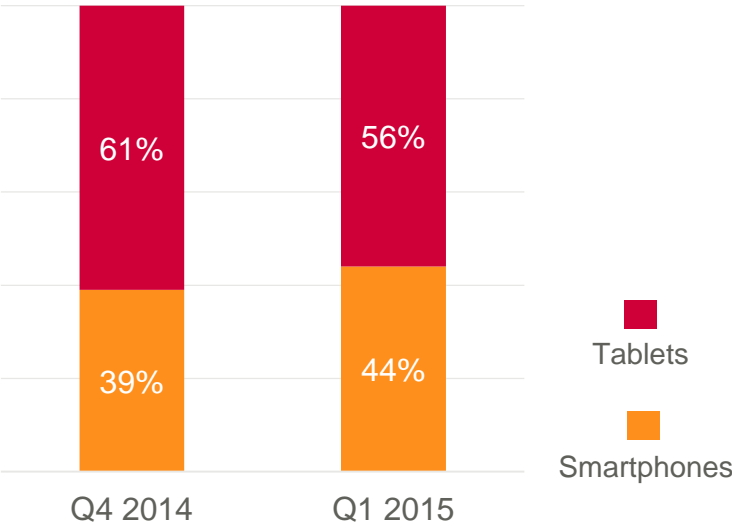


UK mobile shopping trends

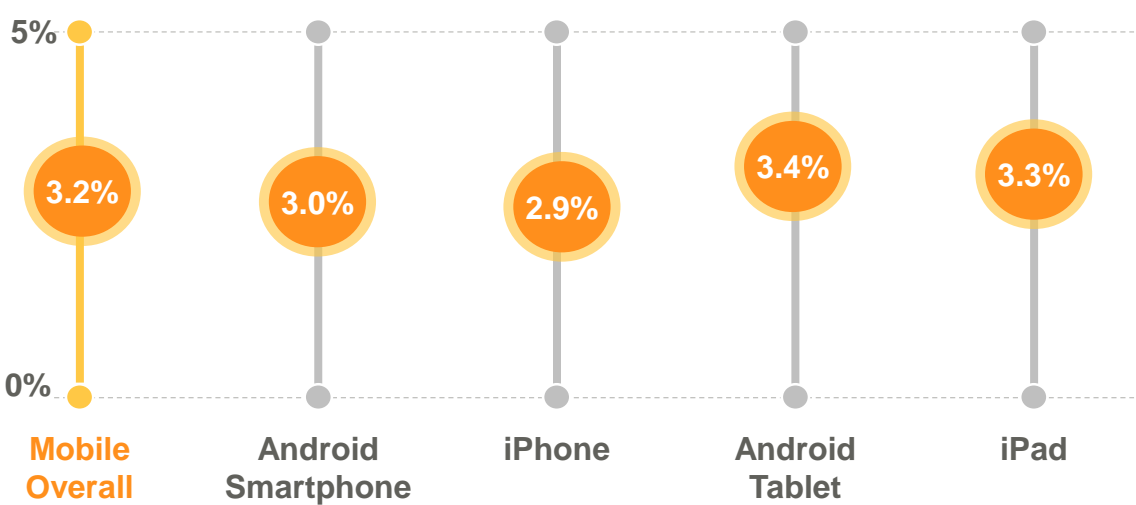
Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	6%	12%	4%	20%	43%
> Q4 2014	6%	10%	4%	21%	41%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

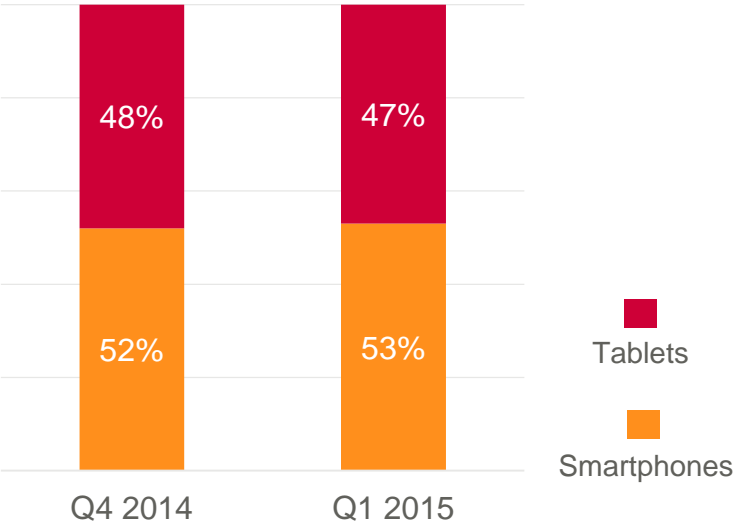


US mobile shopping trends

Share of eCommerce Transactions by Device

	Android Smartphone	iPhone	Android tablet	iPad	Total Mobile
> Q1 2015	6%	9%	2%	11%	29%
> Q4 2014	6%	8%	2%	11%	27%

Smartphone vs. Tablet (% Mobile Transactions)



Mobile Retail Conversion Rates, Q1 2015

