

WHAT'S NEXT FOR

E-COMMERCE?

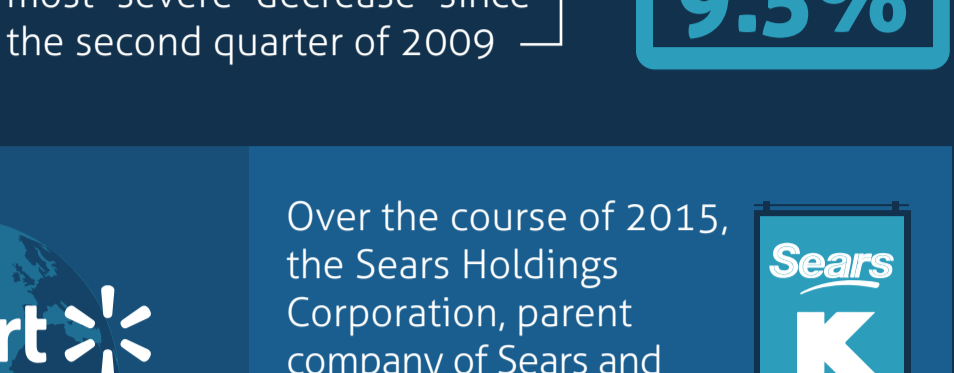
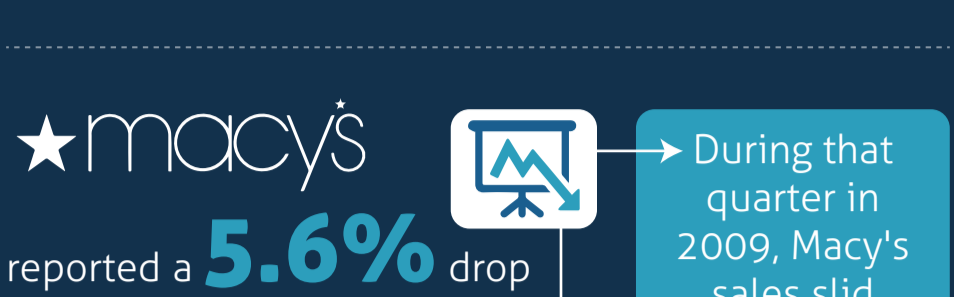
While consumer spending continues to increase, brick and mortar stores are seeing a decline in their sales, so where is all the money going? Well, research has shown that consumers are doing most of their shopping on the Internet. Online retailers are enjoying record sales. The question many people are asking is what is the future of e-commerce? From digitization of the grocery industry to development of delivery apps, the future of e-commerce is ripe for growth and innovation



SHIFT IN CONSUMER SPENDING

According to government figures, department store sales have been on the decline since the early 2000s

In the 1st quarter of 2016,



Macy's reported that it plans to close about

100 OUT OF ITS 728 stores in 2017

The company already closed **40 locations** in 2016

Walmart

In January 2016, Walmart said it would close 269 stores in the US and abroad

Over the course of 2015, the Sears Holdings Corporation, parent company of Sears and Kmart, closed over

230 stores nationwide



Nonstore sales, which includes internet retailers, are up by **10.9%** in 2016 over the same period in 2015

Nondiscretionary spending on



Health Insurance Education Housing

has taken an extra **4% out of personal consumption expenditures in 2015 compared to 2000**

That has reduced the discretionary spending available for traditional retailers by **\$500 BILLION**

In 2015, mega e-tailer Amazon saw a **97%** increase in sales year-over-year



The online retailer is predicted to surpass Macy's as the top clothing store next year

The way that consumers make purchasing decisions has dramatically altered

Today's consumers lead busy lives and shopping takes time

- They stand in stores, using their smartphones to compare prices and product reviews
- Family and friends instantly weigh in on shopping decisions via social media
- When they're ready to buy, an ever-growing list of online retailers deliver products directly to them, sometimes on the same day
- Consumers find researching and shopping on the web far more convenient than brick-and-mortar visits
- In many instances, customers have access to more information online than when talking to an in-store sales associate
- Online reviews and price comparisons enable them to feel more confident in their buying decisions and free shipping offers are a fixture of the online marketplace



For some retailers, mobile is already a huge factor

At designer fashion retailer Gilt, mobile accounts for about **50%** of daily traffic and more than **30%** of total sales

HOW E-COMMERCE IS EVOLVING

Americans are now spending an average of **4.7 hours a day** on their smartphones which is more than their counterparts in at least **11 major countries** around the world



In a September 2014 survey of US smartphone users ages 19 to 33, 40% said they use their smartphones "to make an actual purchase," while 65% use a computer

The survey found two-thirds of US millennial digital shoppers used smartphones to compare/check prices, and nearly as many to seek coupons and discounts



Smartphones accounted for 17.1% of all Cyber Monday spending in 2015, compared with 11.1% on tablets

amazon Home Services

Launched in March 2015, the platform helps customers shop for professional help from more than

700 SERVICE CATEGORIES

One year later, Amazon has increased the number of metro areas where "Home Services" is available from 4 to 30 (40,000 zip codes nationwide), and it has added over 500 services for a

TOTAL OF 1,200 SERVICES

20% "Home Services" customer orders have grown more than 20% per month since launch in 2015

amazon fresh

allows customers to shop for fresh groceries online, like dairy, meat, fruits and vegetables, as well as prepared meals, health and beauty products, pet supplies, baby products, and other household goods

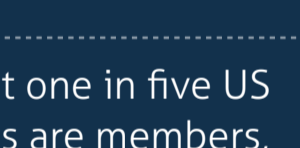


There are over **95,000** different items available, all of which can be delivered same-day if the order is placed by 10 a.m., or next-day, if ordered later

To purchase an AmazonFresh membership, customers have to subscribe to "Prime Fresh," which is an upgraded Prime membership that offers all the advantages of Prime, but costs **\$299 per year**

The service is available in Boston, Seattle, Northern California, Southern California, New York metro, Northern New Jersey, Philadelphia metro, Stamford, CT, and Baltimore

The number of Amazon Prime memberships in the US jumped



in 2015 to 54 million

According to a recent report, nearly half of US households have

amazon.com Prime

Amazon Prime members spend an average of about

\$1,100

a year with Amazon, not including the \$99 annual membership fee

Non-members spend an average of **\$600 a year**

Prime memberships come with free two-day or overnight shipping on many items

One in five U.S. households bought groceries online at least once in the prior month



Younger people are even more likely to food shop on the web — half of people aged **25 to 34** bought or were likely to buy groceries online



Amazon controls more than one-fifth of the online food and beverage market



The average online shopping basket total is **\$157** — more than three times what is spent on an average store trip



of US consumers say they order groceries online for home delivery

Sources estimate US consumers spent **\$18 to \$24 billion** buying groceries online in 2014

E-COMMERCE TRENDS AND PREDICTIONS IN SPENDING

45% Online shopping is predicted to increase by 45% by the end of 2016

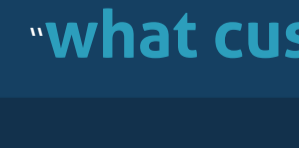
Online sales in the US are expected to reach **\$523 billion** in the next five years, up 56% from **\$335 billion** in 2015

Mobile devices are expected to be a key driver in that growth

Researchers project an additional 26 million shoppers will be both browsing and buying from retail sites by the end of this decade, reaching 270 million, as bigger smartphones and faster wireless networks make it easier for consumers to use the internet to shop on their phones

Order fulfillment will be a big focus for retailers in 2016, with many offering delivery options to match Amazon's Prime Now service

Personalized content and products will be vital to e-commerce success



of online retailers personalize

During Q2 2015,



11.5% of the revenue on the e-commerce sites studied was attributed to personalized product recommendations

The most engaging recommendation type was "what customers ultimately buy"

Mobile makes up **29%** of e-commerce transactions in the US and **34%** globally. In Q1 2015, that figure has rose to reach almost **30%**

E-grocery sales will increase **21.1%** annually through 2018, compared to **3.1%** for physical supermarkets

Morgan Stanley estimates that the total US online grocery market could grow by **\$26 billion** in 2016, to more than **\$42 billion**



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