



eCOMMERCE INTERNATIONALIZATION IN WESTERN EUROPE

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OVERVIEW OF RETAIL eCOMMERCE IN WESTERN EUROPE



CURRENT SALES AND PROJECTIONS

Retail eCommerce sales in Western Europe increased to approximately €257 billion in 2014 and are projected to rise to approximately €356 billion by 2017. Online retail currently accounts for 6.3% of all retail sales in Western Europe and is projected to reach 8.5% of sales by 2017, passing North America (8.3%) and trailing only the Asia Pacific region (10.5%).

CURRENT GROWTH RATE AND PROJECTIONS

The growth rate of eCommerce in Western Europe, however, is slowing down. With approximately 15% growth in Western Europe eCommerce in 2014, this rate is projected to decrease to approximately 7% by 2018.

- Slower growth isn't necessarily a bad thing — the eCommerce market in Western Europe is among the most stable in the world. This means investments can be safer and more reliable than some emerging markets.

DIGITAL BUYERS

Western Europe has the second largest population of digital buyers (people ages 15-79 who have made a digital purchase) in the world with 193.7 million. This number is projected to reach 216.6 million in 2018 with more than 70% of Western Europe being digital buyers in the next four years (trailing only North America).

GROWTH OF CROSS-BORDER PURCHASING

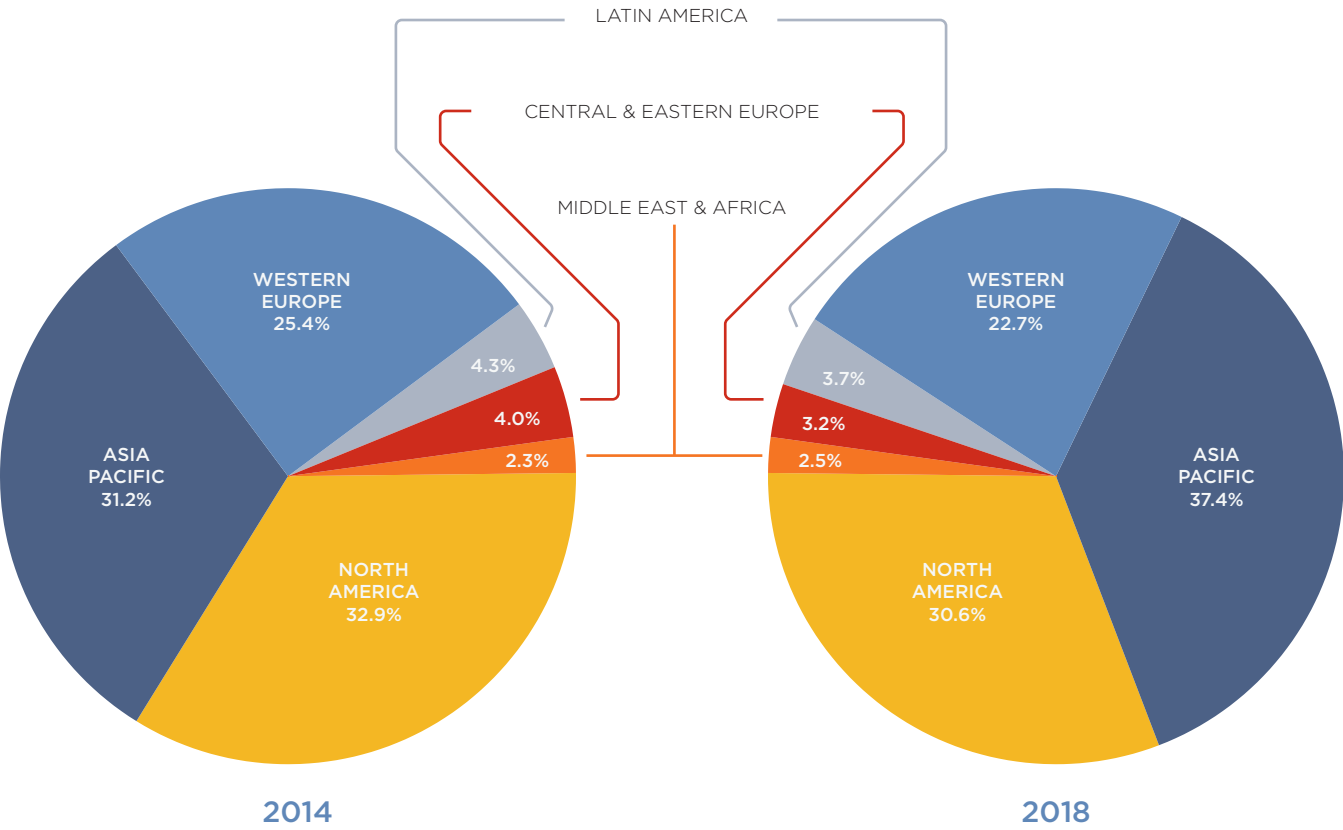
Cross-border sales accounted for approximately 14% of all retail eCommerce sales in Western Europe in 2014. This percentage, led by the popularity of cross-border shopping in Spain and Italy, is projected to rise all the way to 20% by the end of 2018. Especially in smaller European countries, cross-border purchasing is becoming a key component of the eCommerce experience for consumers.

PAYMENT METHODS

Online payment systems such as PayPal are the one consistent payment method preferred by a sizeable portion (approximately 40%) of Western Europeans. Other payment methods are fragmented and can vary greatly from country to country – debit/credit card, net term invoice, COD (cash on delivery) and even direct bank payments are alternatives that range from popular to rarely used depending on the consumer culture of a specific country.

COMPARING RETAIL eCommerce SALES TO OTHER AREAS OF THE WORLD

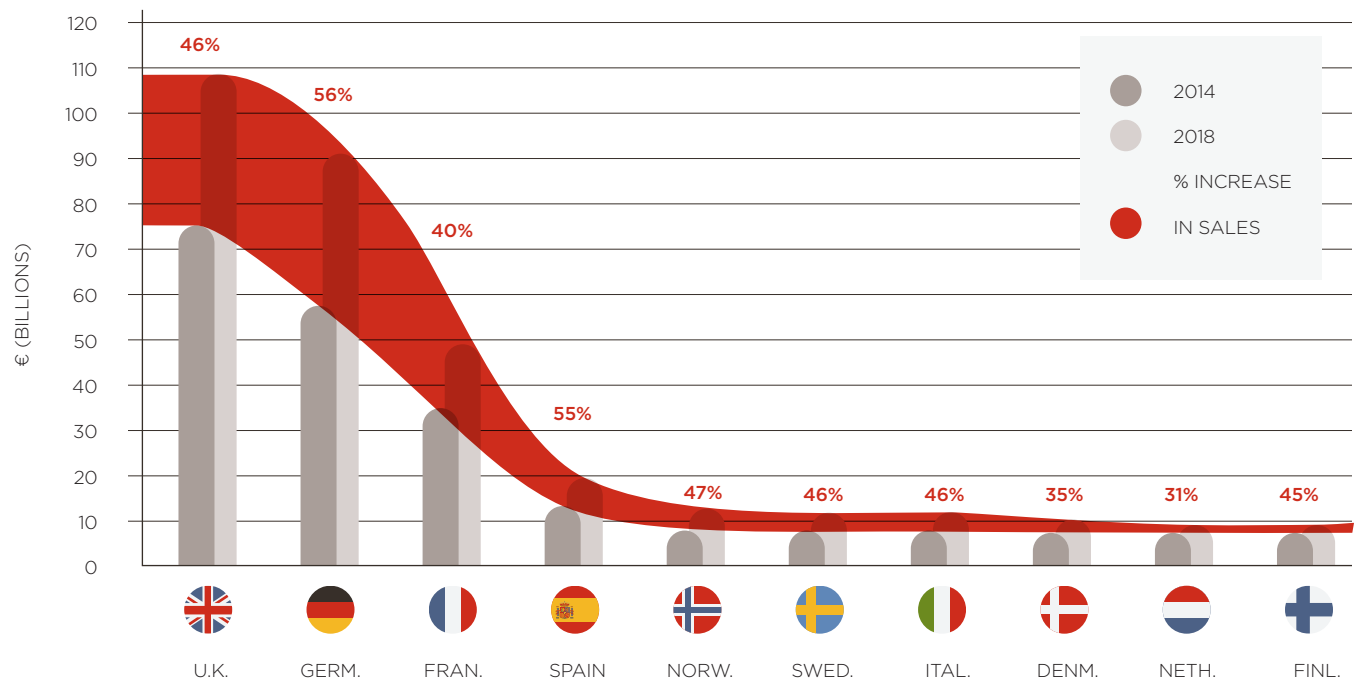
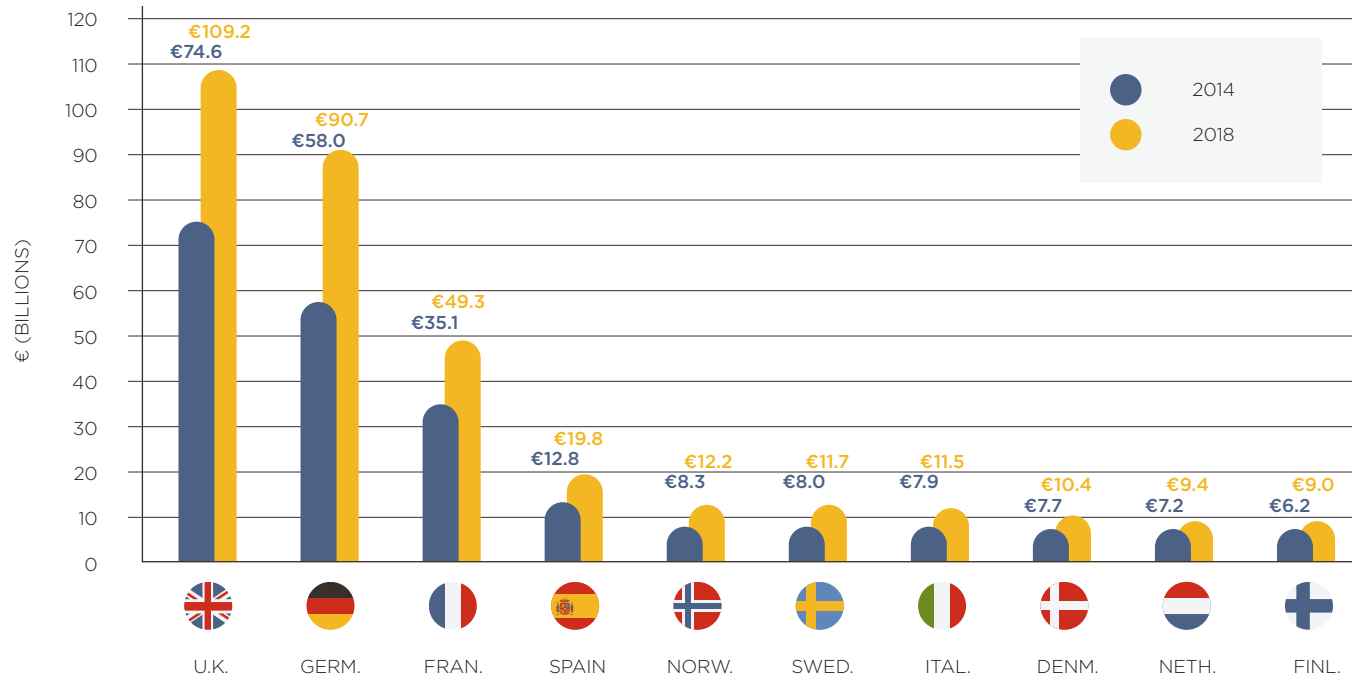
Western Europe is currently the third largest eCommerce market in the world. The percentage of eCommerce sales in Western Europe is projected to decrease slightly in 2018 along with other mature markets and at a similar rate to North America. This percentage decrease can be attributed to the expected growth of the Asia Pacific region over the next few years.



GLOBAL eCommerce SALES

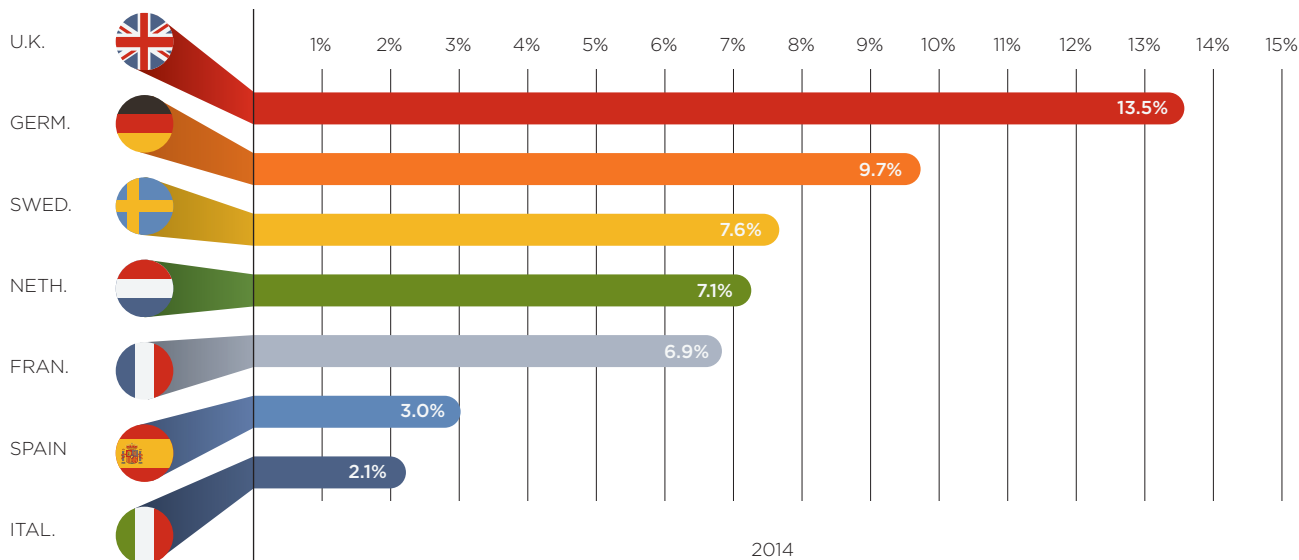
WESTERN EUROPE eCOMMERCE SALES - TOP REVENUE COUNTRIES

Germany and Spain are the only two countries in Europe projected to experience greater than a 50% growth rate over the next four years. Countries such as Denmark and The Netherlands will likely still experience growth, but the mature nature of these markets compared to other countries has resulted in more modest growth projections.



eCOMMERCE SALES AS A PERCENT OF TOTAL COUNTRY RETAIL SALES

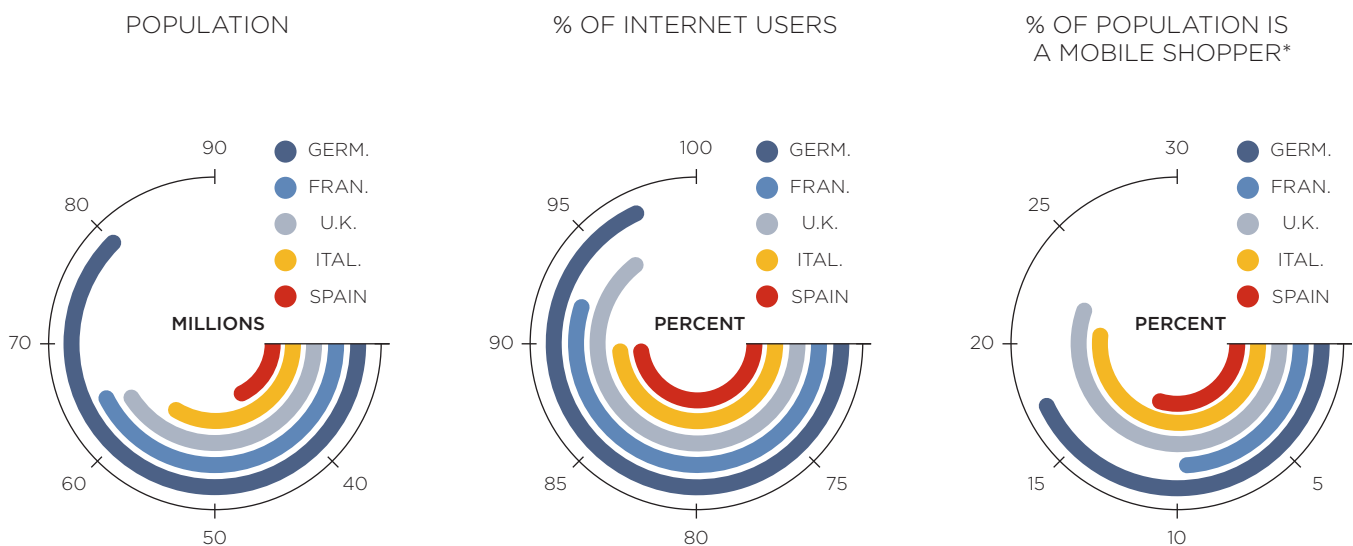
Not only does the U.K. lead in eCommerce sales among Western European countries but it also had the largest percentage of online retail sales of any country in 2014. Sweden, with only €8.0 billion in eCommerce sales, actually had the third highest percentage while France (third highest sales with €35.1 billion) only had the fifth highest percentage. Spain and Italy lag significantly behind the leading countries with both nations having their percentage of eCommerce sales at or below 3%.



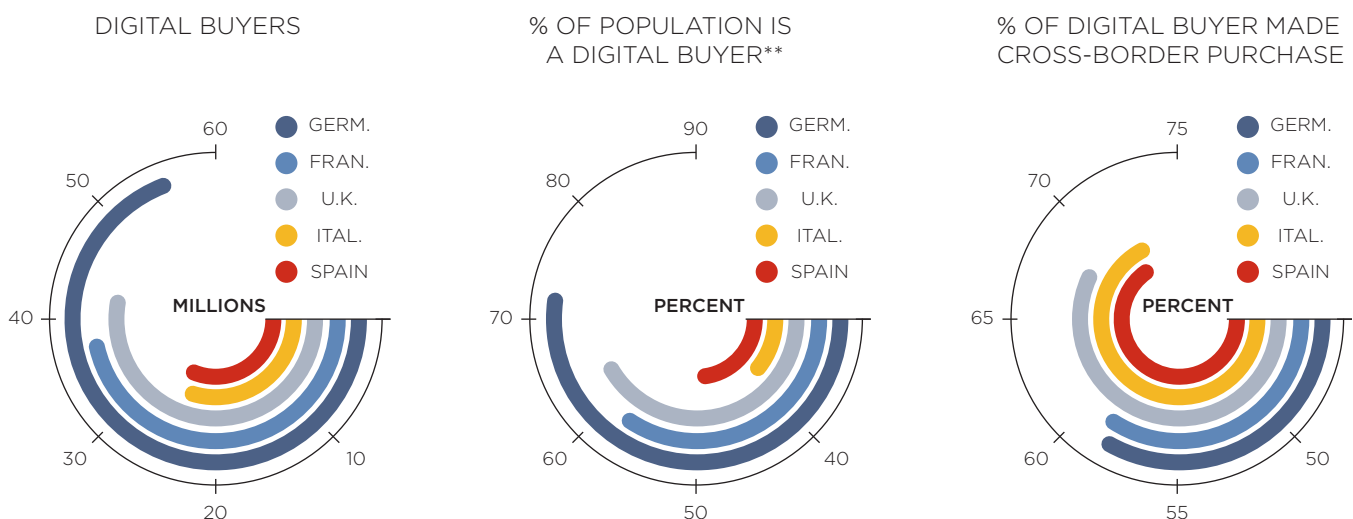
DIGITAL BUYER INFORMATION IN THE 5 LARGEST WESTERN EUROPEAN COUNTRIES

While all of the five largest Western European countries have 90% or more of their population using the internet, only Germany has more than 70% of their population currently participating in eCommerce. Mobile commerce is emerging and becoming popular in the U.K. and Italy, with more than 20% of the population in each country shopping on their mobile devices. Cross-border purchasing is also becoming more common, especially in countries such as Spain and Italy where there are fewer dedicated in-country retail sites for consumers to purchase from.

DIGITAL BUYER INFORMATION, MOBILE USAGE, AND CROSS-CHANNEL



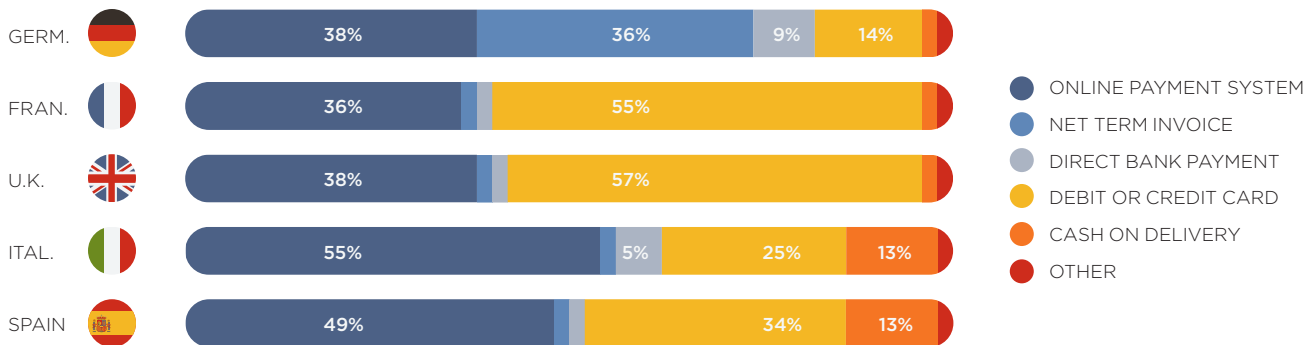
* "Mobile Shopper" is defined as a person who made a purchase on their smartphone at least once per month over a three month period.



** "Digital Buyer" defined as a person ages 15-79 who have made a digital purchase (excludes digital downloads, tickets, travel, and hotels)

PREFERRED PAYMENT METHODS FOR DIGITAL PURCHASES

One of the major challenges of internationalization within Western Europe is accounting for and providing the unique payment methods required for success in each country. For example, the U.K. and France generally prefer to pay with a debit or credit card while net term invoice appears to be a viable (and unique) choice in Germany. Online payment systems such as PayPal are a popular choice throughout the five largest countries in Western Europe, but COD (cash on delivery) is still a payment method preferred by some consumers, especially in Spain and Italy.



SOURCES:

PostNord • eMarketer • Centre for Retail Research • comScore • EMOTA