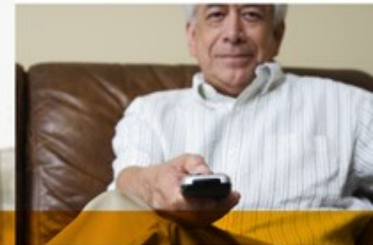




comSCORE

May 2011



- Alejandro Fosk, Senior Vice President Latin America , comScore, Inc.

## 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 March 2011 measured via the fixed Internet
- Survey issued in April 2011, n=1087
- **Consumer Measurements:**
  - Site Visitation
  - Online Buying
  - Attitudes and Sentiment
  - Demographic Segments
- **Retailer Views:**
  - Large vs. Small Retailers
  - Multi-Channel vs. Pure-Play Retailers
  - Deal-a-Day Sites

- **State of the Economy:**
- **A Review of Key Macroeconomic Trends**

# e-Commerce Spending continues to rebound from recession in Q1 2011

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

Source: comScore e-Commerce Measurement

e-Commerce Spending continues to rebound from recession in Q1 2011

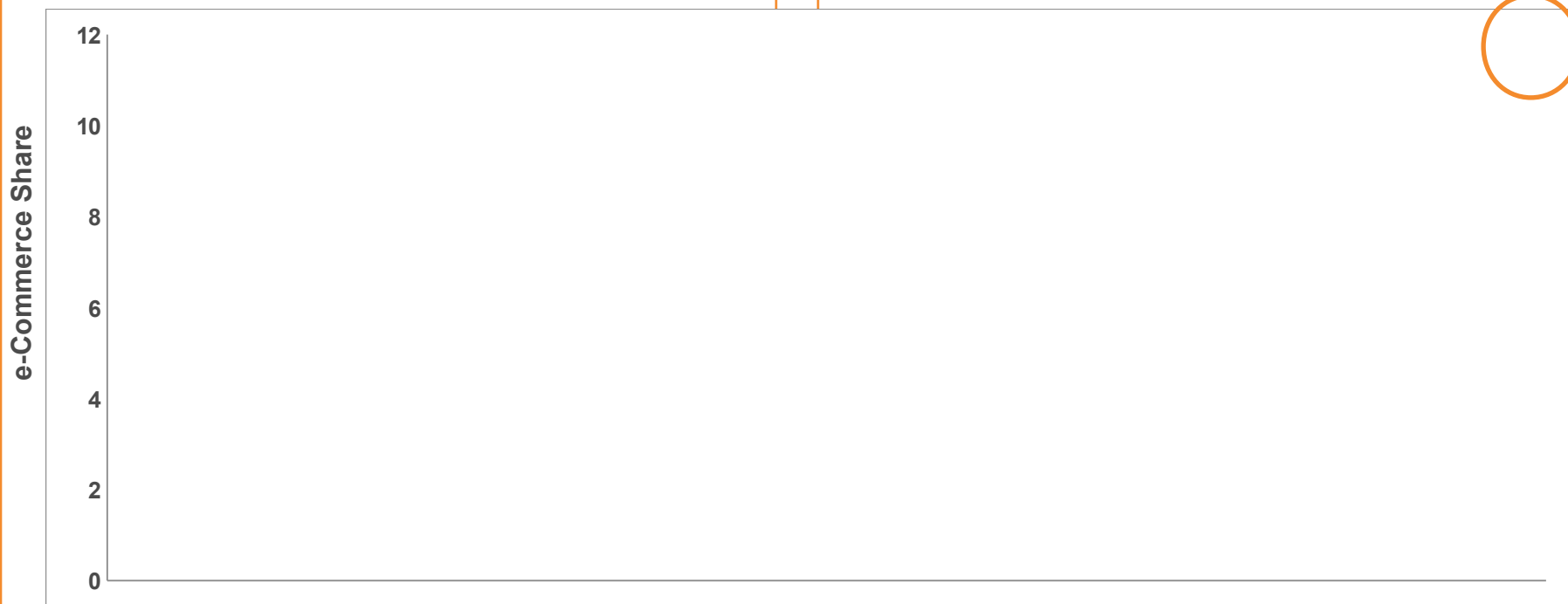
### U.S. e-Commerce Dollar Sales Growth (\$ Billions)

Source: comScore e-Commerce Measurement



# E-commerce hit the highest share percentage yet seen, as online sales continue to gain share versus offline

**e-Commerce Share of Corresponding Retail Spending\***  
Source: comScore for e-Commerce & U.S. Department of Commerce (DOC) for Retail



# The lower income segment continues to show the strongest year-over-year rebound from the recession, as consumers increasingly utilize e-commerce

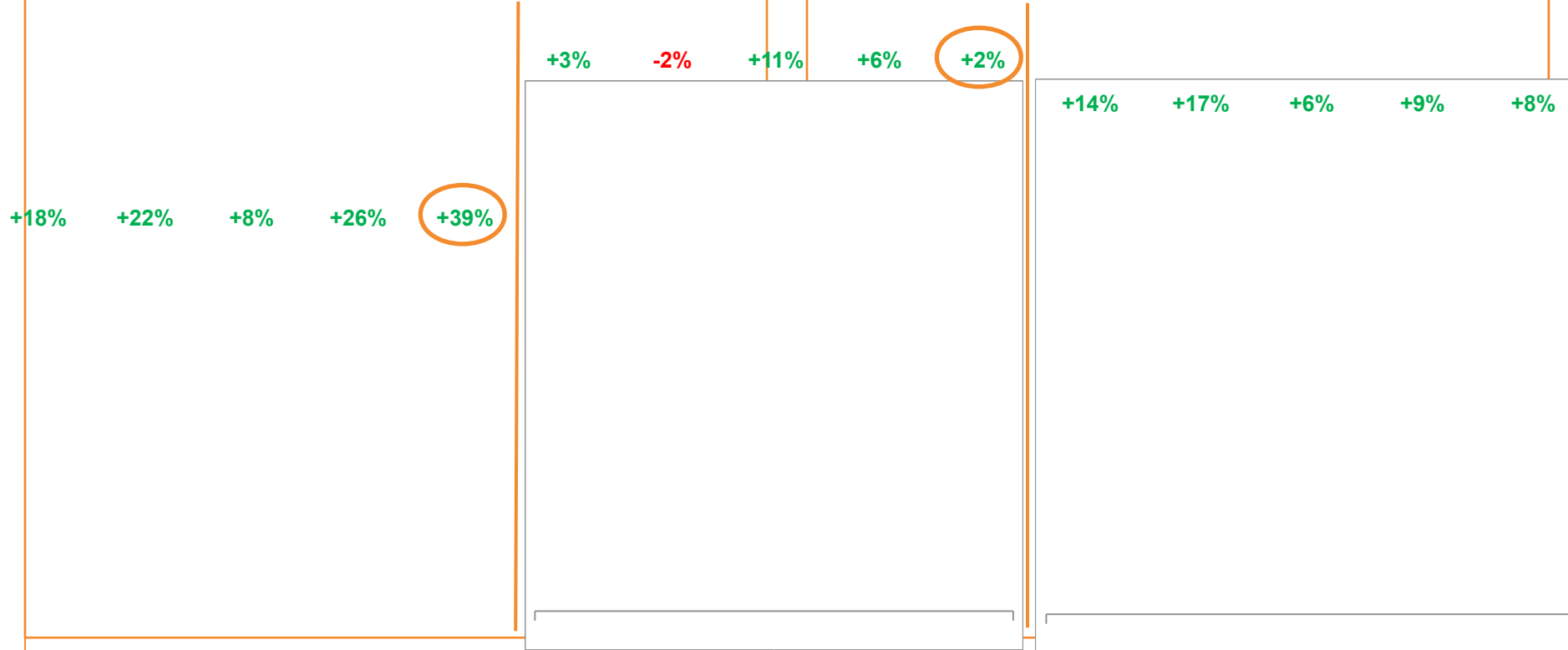
## e-Commerce Sales by Income Segment (\$ Billions) Growth vs. YA

Source: comScore e-Commerce Measurement

Under \$50K  
(24% of Total)

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

\$100K or more  
(33% of Total)

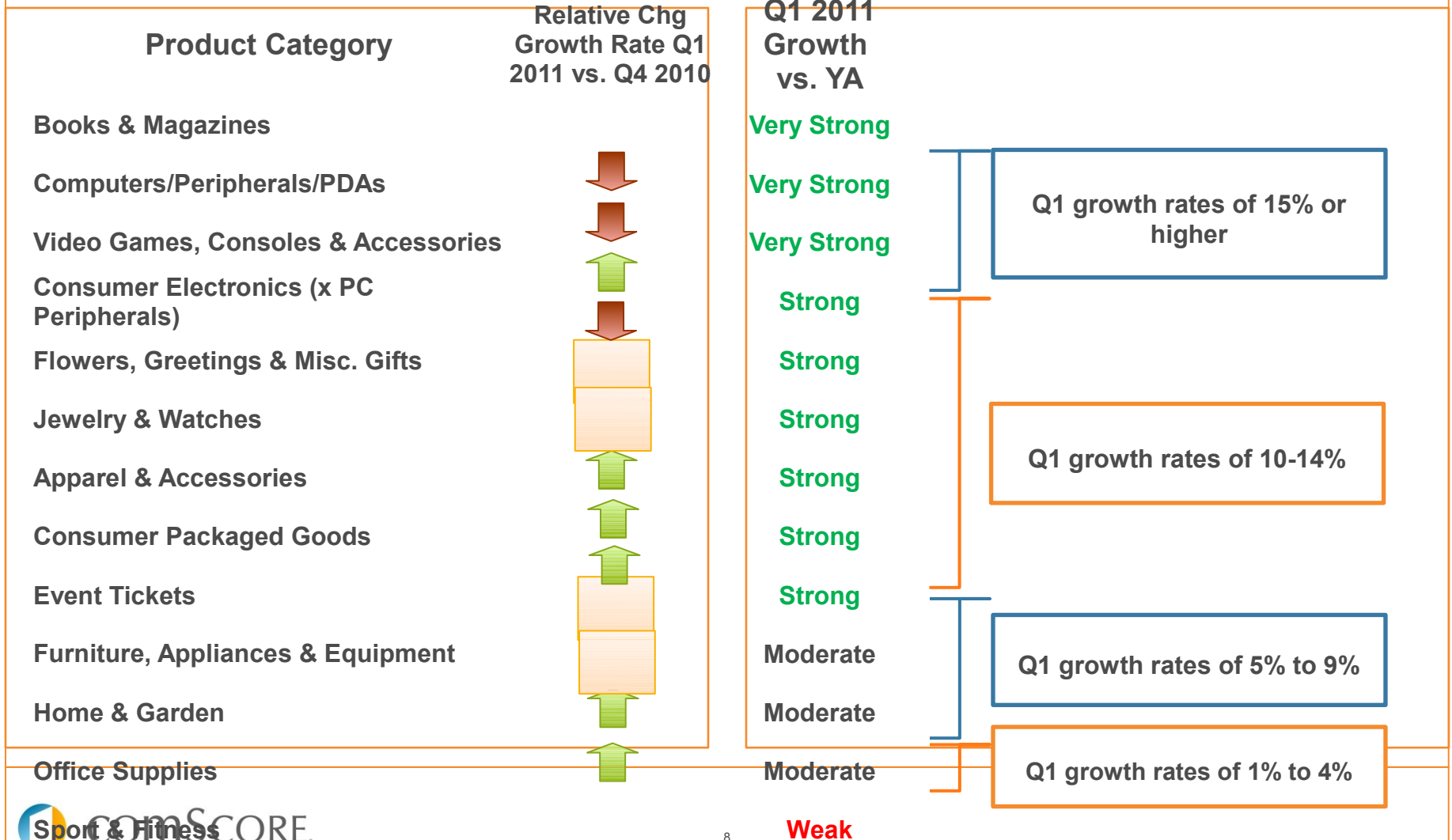


- **Retailer and Product Category Overview**

# Most categories show strong growth in Q1 2011 versus Q1 2010

## Q1 2011 e-Commerce Sales Growth vs. YA by Retail Category

Source: comScore e-Commerce Measurement



## E-commerce Buying of CPG Products Growing, but Still Represents a Small Percent of Total Industry Sales

- Purchasing of CPG products online is at a level of approximately **\$15 billion per year** and growing at a rate of **10% versus year ago**.
- This represents about **1.2% of the \$1.2 trillion spent annually** in supermarket, drug, mass merchandiser and convenience stores.
- Approximately **12% of Internet users say they have ever bought grocery products online**. Among these, **39% have bought online in the past month**.

Retailers need a reason for people to visit their websites. For mass merchandisers and drug stores it's e-commerce, Rx and health information. No such driver yet for supermarkets in U.S., but Tesco in U.K. attracts healthy number of visitors with a well-

## Selected Retailer Sites - U.S. Unique Visitors\* (000) in March 2011

Source: comScore Media Metrix



Amazon-owned **Diapers.com** & **Soap.com** attracted 486K and 418K unique visitors, respectively, in March 2011.

\*UK unique visitors for Tesco



**Twelve percent growth in spending was driven by a 7% increase in the number of buyers & a 4% increase in dollars per buyer**

## Key e-Commerce Buyer and Transaction Measures

**Q1 2011 vs. YA**

Source: comScore e-Commerce Measurement

Metric	Q1 2010	Q1 2011	% change
Dollar Sales (\$ Billions)	\$33.98	\$38.00	12%
Dollars per buyer	\$227.72	\$237.77	4%
Buyers (Millions)	149.23	159.81	7%
Average Order Value	\$68.63	\$65.61	-4%
Transactions (Millions)	495.18	579.22	17%
Transactions per Buyer	3.32	3.62	9%
Buyer Penetration (Total Internet)	63%	67%	7%

After losing share of e-Commerce sales for several quarters, smaller retailers have battled back in Q4 and Q1

## Top-25 Retailers vs. All Other Retailers: Share of Quarterly

### U.S. e-Commerce Sales

Source: comScore e-Commerce Measurement

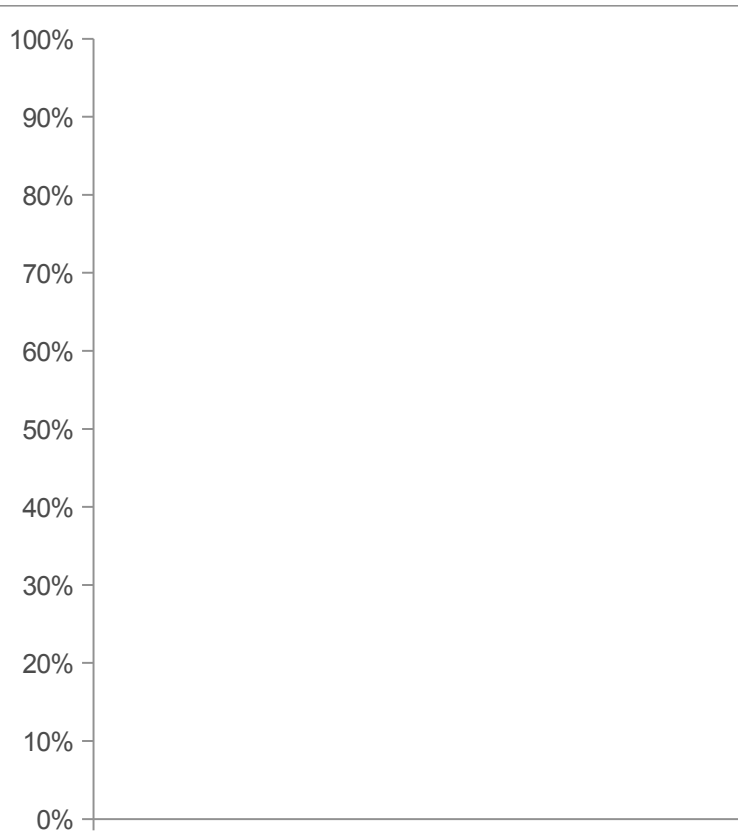


# Multi-channel retailers have gained share in U.S. e-Commerce sales on a year-over-year and quarterly basis

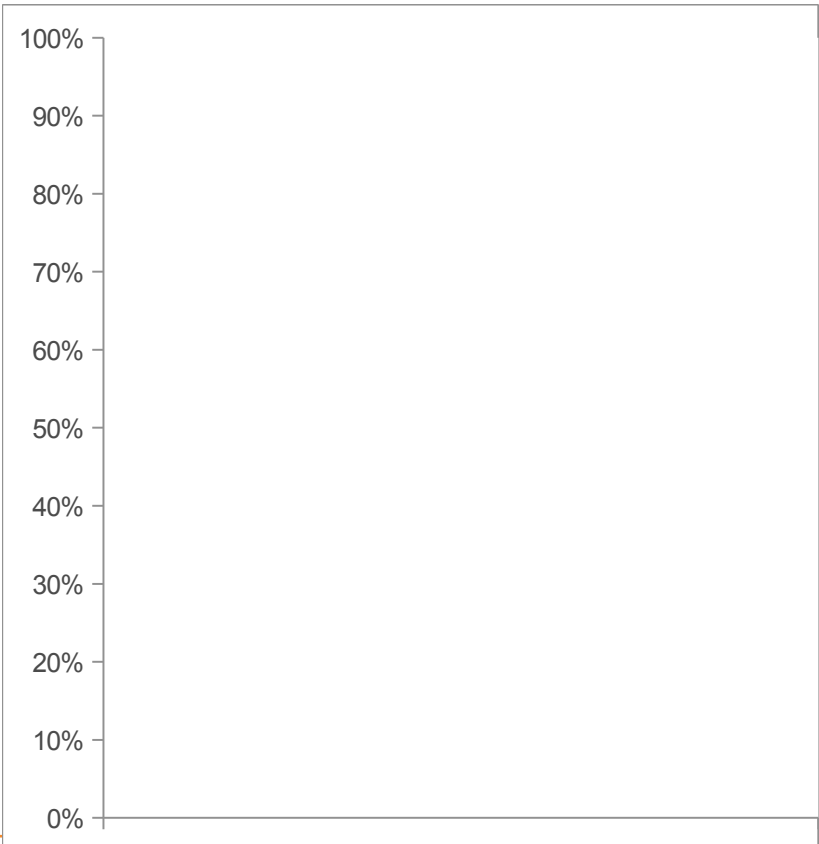
## Multi-channel vs. Pure-play: Share of Quarterly U.S. e-Commerce Sales

Source: comScore e-Commerce Measurement

### Q4 Year-over-Year



### Q1 Year-over-Year



# The percent of online transactions utilizing free shipping jumped to nearly half of all orders in Q4 2010 & Q1 2011

## Percentage of e-Commerce Transactions with Free Shipping

Source: comScore e-Commerce Measurement



**61% of consumers are at least 'somewhat likely' to cancel their entire purchase if free shipping is not offered**

## LLBean.com will no longer charge shipping fees

No minimum order is required for shoppers in the U.S. and Canada.

Don Davis  
Editor

Topics: Amazon Prime, Canada, Chris McCormick, credit card, free shipping, GSI Commerce, L.L. Bean, Lauren Freedman, LLBean.com, Macy's, online apparel sales, ShopRunner, The E-tailing Group, Top 500, Visa, Zappos.com

[L.L. Bean Inc.](#) is raising the stakes in the free shipping war.

The web and catalog retailer of outdoor gear and apparel announced today that it will ship all orders for free to U.S. and Canadian shoppers, regardless of the amount ordered. It's a policy that's been tried by a few online retailers, notably shoe merchant Zappos.com, but not many.

"We tested free shipping offers with no minimum purchase for several months and the customer response was overwhelming," says Chris McCormick, president and CEO of L.L.Bean, No. 24 in the Internet Retailer [Top 500 Guide](#). "Our customers want and value free shipping. It's our opportunity to offer free shipping for all U.S. and Canadian customers with no minimum purchase, no end date, no conditions—guaranteed." The new free shipping policy takes effect tomorrow.



An L.L. Bean warehouse

### Related Articles

/ FULFILLMENT/DELIVERY

**Free shipping comes early this holiday season**

/ INDUSTRY STATISTICS

**Free Shipping Day boosts sales as delivery deadlines loom**

/ FINANCIALS

**L.L. Bean's 2010 online sales grow 29%**

The retailer had been offering free shipping with no minimum purchase as a limited-time promotion and as a benefit to consumers who signed up for the retailer's cobranded Visa credit card. L.L. Bean now will increase the benefits to holders of its Visa card by doubling rewards on purchases made with the card. Cardholders will earn 1% in rewards on all purchases with the card, 3% on L.L. Bean purchases and receive additional benefits such as free monogramming and free returns.

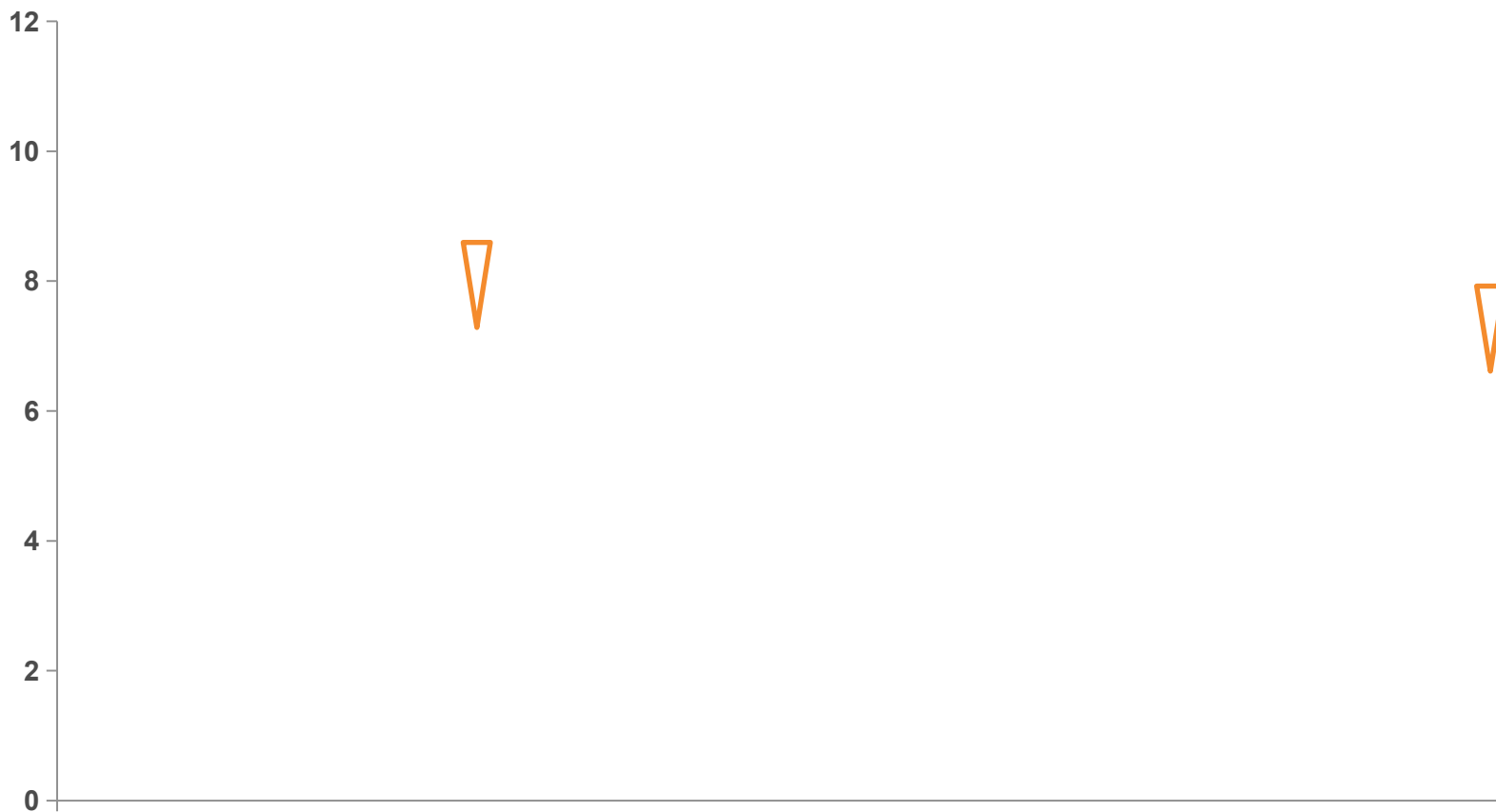
"It's not shocking," says Lauren Freedman, president of The E-tailing Group, of Bean's move. "Retailers know consumers pull the trigger when there's [free shipping](#)." She notes 7% of the 100 leading online retailers offered free shipping on all orders in The E-tailing Group's annual mystery shopping survey in the fourth quarter of 2010, up from 4% the year before.

Retailers increasingly are viewing free shipping offers as a marketing expense, just as they would an ad campaign, Freedman says. "It's a cost of doing business," she says. "They know they have no choice but to deal with it, especially if they're in a competitive category. And they're probably offering it three or four months of the year anyway."

# 72 Million People (31% of 234 Million U.S. Mobile Subscribers, up 15% vs. Previous Qtr) Now Use a Smartphone to Access a Wide Variety of Content

When it Comes to Mobile Content Consumption, Retail Ranks as 3rd Fastest Growing Category

Fastest Growing Mobile Content Categories by Total Smartphone Audience (000)  
Source: comScore MobiLens, 3 mo. avg. ending Mar-2011 vs. Mar-2010



Among those who specifically stated that they used their phone for shopping purposes, 40% have purchased an item online

## Smartphone Usage For Shopping

Q. For which of the following have you used your smartphone?

Source: comScore Survey – April 2011

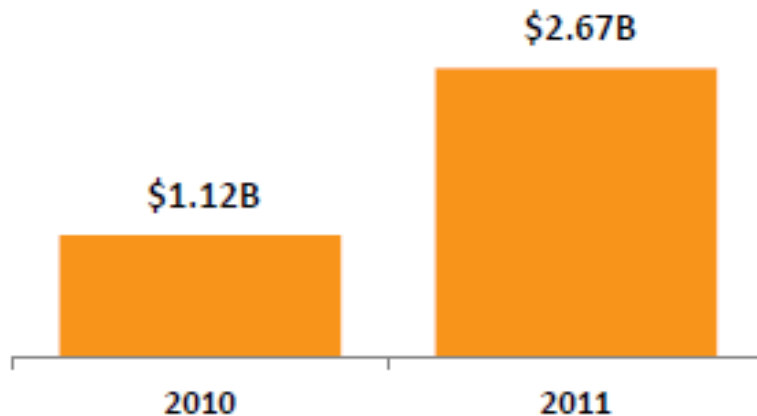


- **Group-Buying/Deal-of-the-Day Sites**

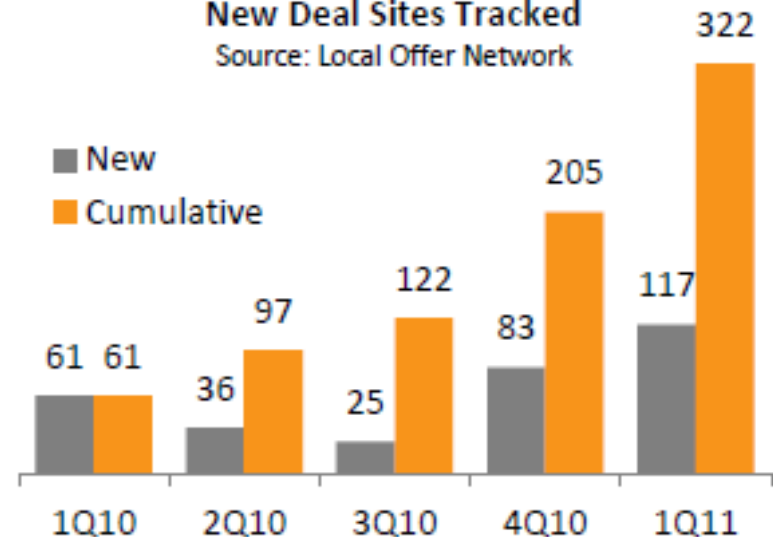
# Group-Buying/Daily Deal market on a steep upward trajectory

As the Group-Buying/Daily Deal market emerges, low barriers to entry enabling hundreds of new sites to crop up. But is there really room for everyone?

US Group Buying/Daily Deal Market  
Industry Revenue (Gross)  
Source: Local Offer Network Estimates



US Group Buying/Daily Deal Market  
New Deal Sites Tracked  
Source: Local Offer Network

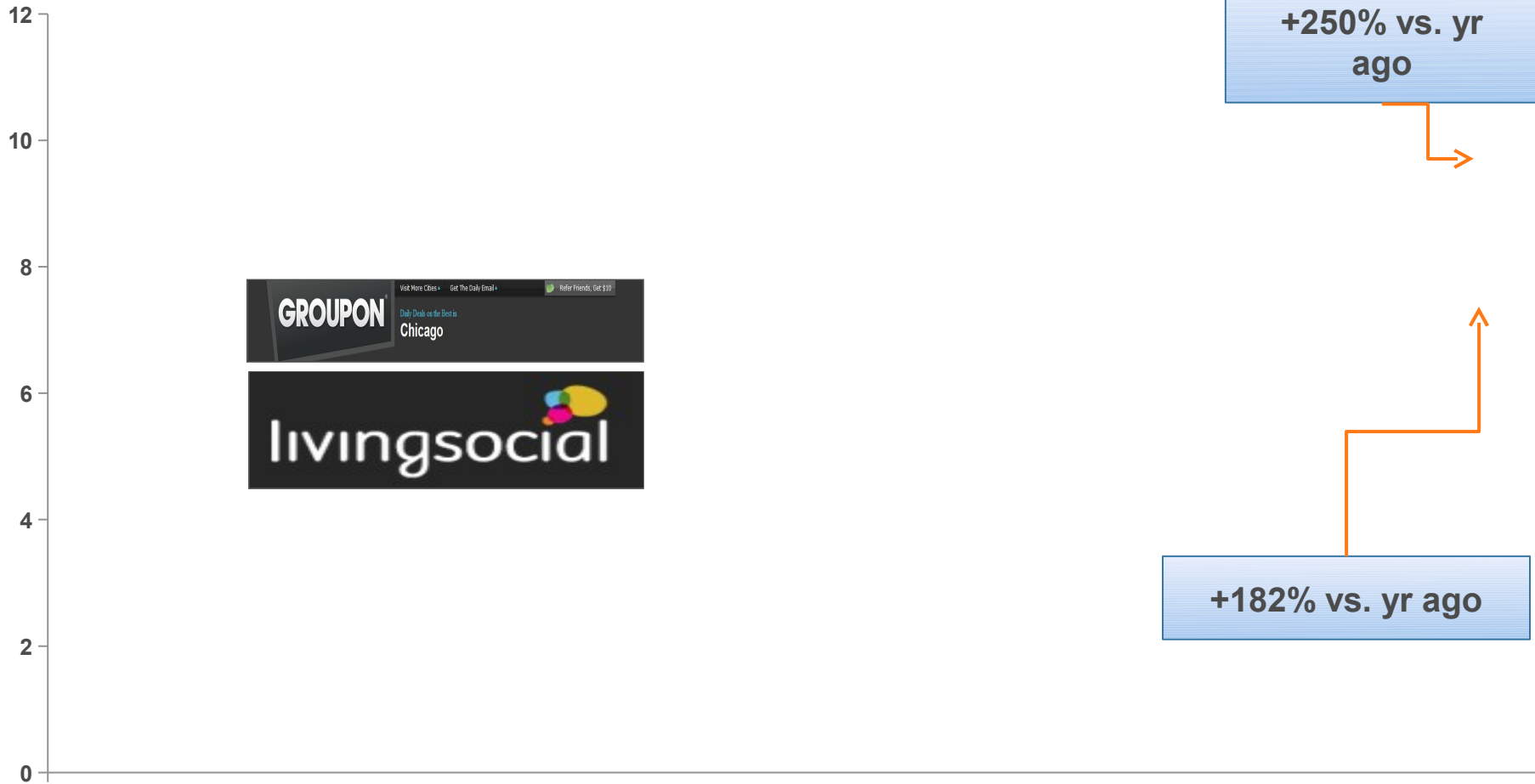


For a copy of full Local Offer Network report, please email  
[research@localoffernetwork.com](mailto:research@localoffernetwork.com)

25% of deal sites have folded or consolidated, but new deal sites still outpacing attrition

# Groupon & LivingSocial have both seen audiences grow ~3X over the past year

Trend in Unique Visitors (000) to Groupon.com and LivingSocial.com  
Source: comScore Media Metrix, Aug 2009 – Apr 2011



# Groupon subscribers skew toward restaurant deals, while LivingSocial subscribers tended to purchase a variety of deals

## Categories of Deals Purchased via Groupon or LivingSocial

Q. Which of the following types of deals have you purchased on Groupon/LivingSocial?

Source: comScore Survey – April 2011



## ▪ Key Takeaways

# Key Takeaways

- **Year over year, e-commerce sales are up 12% through Q1 2011 and have shown six straight quarters of positive growth**
  - E-commerce is continuing to surge in overall adoption, showing strongest ever percentage share of total consumer retail sales (8.6%)
- **Mobile usage continues to grow rapidly, with a third of all mobile subscribers using smartphones. Use of the devices to obtain price and product information in advance of a purchase is surging**
- **Nearly half of all online transactions in the last two quarters included free shipping, the highest percentage ever seen. Has it become a necessary option for online retailers to compete?**
- **As consumers search for value, group buying and deal-of-the-day sites are continuing to flourish in both traffic and usage**



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