

State of Mobile Commerce.

Q4 2014.



JANUARY 2015

Executive Summary.

Mobile commerce adoption is far ahead of expectations. Globally, mobile now accounts for 30% of eCommerce transactions. It is expected that mobile will make up 50% of U.S. eCommerce transactions quite soon, as conversion rates reach Asian levels.

There are five new mobile shopping trends eCommerce marketers need to consider:

- Mobile is now about purchasing, not just researching: conversion rates are high across all devices and retail categories.
- Think smartphones: smartphones now generate more transactions than tablets.
- A third of fashion transactions now come from mobile, with average order values close to desktop levels.
- Top quartile US retailers generate almost 40% of their eCommerce transactions from mobile, against 27% for US overall.
- It's not just Apple: Android phones now generate a third of US smartphone shopping transactions, and much more internationally.

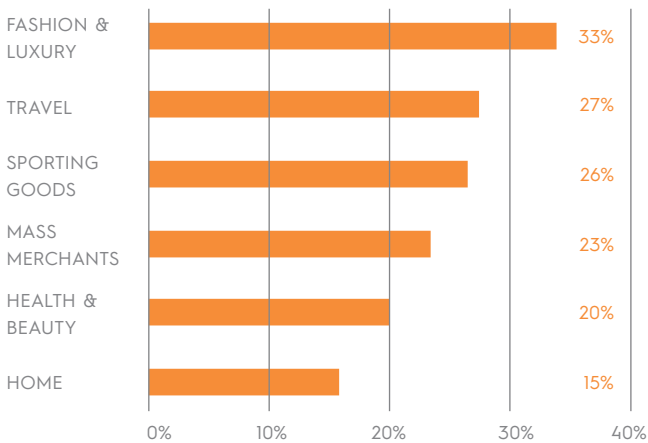


Methodology - Findings in this report come from individual transaction-level data sourced solely from Criteo based on a selection of over 3,000 online retail and travel businesses globally who have approximately 1.1 billion transactions per year on their desktop and mobile sites, resulting in approximately \$130 billion worth of annual sales. The data analyzed is for consumer browsing and shopping behavior in October 2014, across desktop and mobile (smartphone + tablet) devices including iPhone, iPad, and Android smartphones and tablets.

The 5 New US Mobile Shopping Trends.

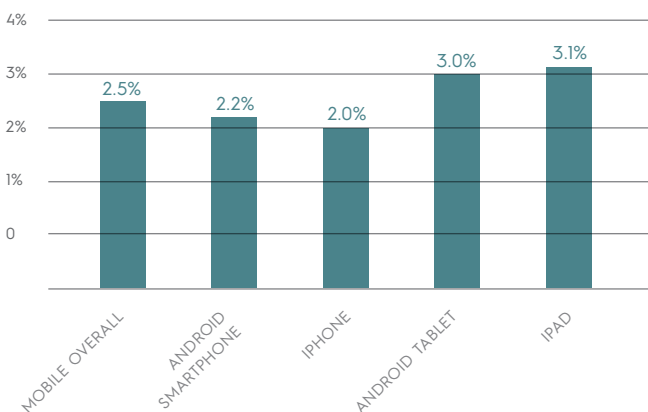
#1 Mobile is now about purchasing, not just researching.

Mobile Share of Total eCommerce Transactions



US, Q4 2014

Mobile Retail Conversion Rates



US, Q4 2014

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

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

** 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.

SHOPPERS ARE PURCHASING ON MOBILES ACROSS ALL CATEGORIES.

The Fashion and Luxury category has a high level of mobile adoption, a pattern we see globally.

In contrast, the share of mobile transactions is low in the Home vertical, which includes home improvement, gardening and interior design products.

MOBILE CONVERSION RATES ARE HIGH.

Overall, mobile users look at more products than desktop users before they purchase. As a result, mobile accounts for 27% of all eCommerce transactions in the US, but mobile traffic share is much higher at 38%.

Tablet converts better than smartphone today. This partly reflects larger screen sizes, but also weaknesses in smartphone-specific site optimization.

Apple and Android devices have very similar conversion rates.

The 5 New US Mobile Shopping Trends.

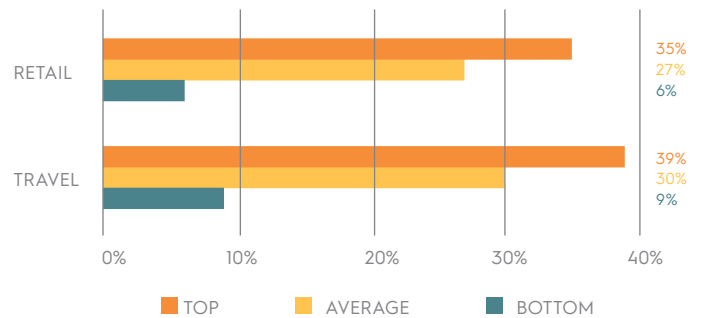
#2 Top quartile retailers get almost 40% of transactions from mobile.

MOBILE SALES CAN BE INCREASED SIGNIFICANTLY BY ADOPTING BEST PRACTICES.

Mobile share of transactions for the top quartile of retail and travel players is 35-40%, while the bottom quartile generates less than 10% from mobile.

This big variation is driven by factors including the quality of the website's mobile optimization and the type of products being sold. For example, fashion and luxury items are purchased more on mobile than home improvement products.

Mobile Share of eCommerce Transactions, Top vs. Bottom Quartile



US, Q4 2014

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.

#3 Mobile average order value is reaching desktop levels.

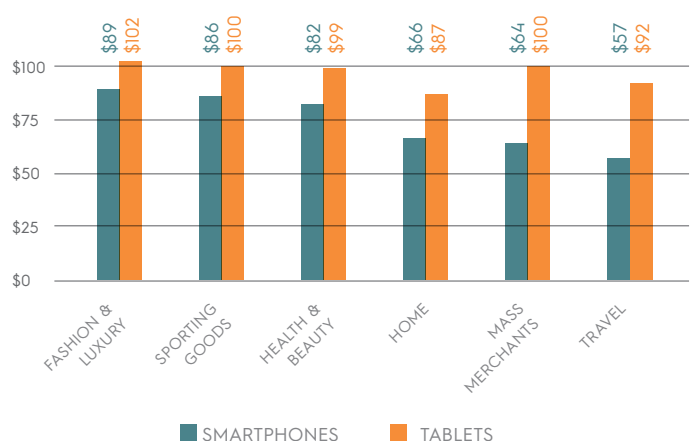
MOBILE AVERAGE ORDER VALUE IS CLOSE TO DESKTOP LEVELS FOR MOST CATEGORIES.

Consumers are comfortable buying on mobile and mobile order values are reaching desktop levels.

Tablet order values are as high as desktop in most categories and smartphones are very close.

Smartphone order values are lower for travel, home and mass merchants.

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

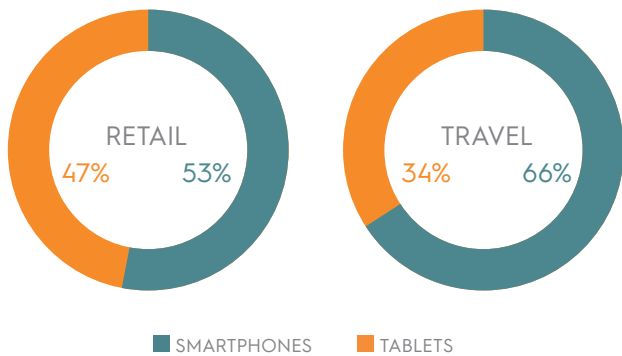


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The 5 New US Mobile Shopping Trends.

#4 Smartphones have overtaken tablets in mobile transactions.

Smartphone vs. Tablet Share of Mobile Transactions



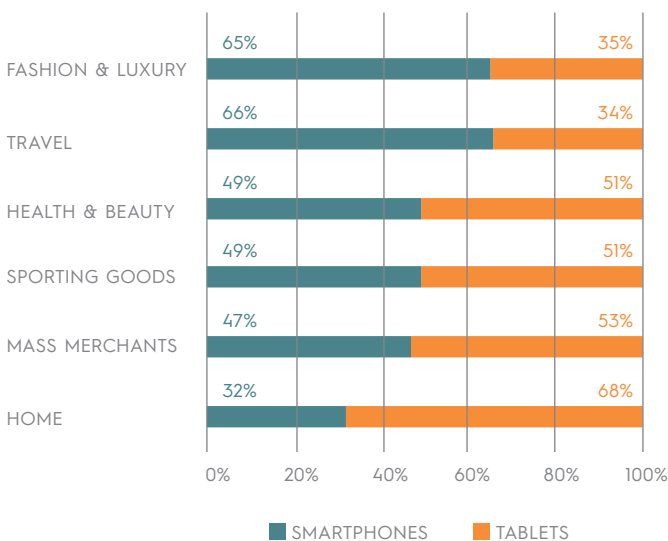
MAJORITY OF MOBILE TRANSACTIONS ARE NOW ON SMARTPHONES, BOTH FOR TRAVEL AND RETAIL.

Tablets dominated mobile transactions a year ago, but now the majority of mobile transactions in the US come from smartphones. Tablets have higher conversion rates, but smartphones generate more transactions due to significantly higher traffic.

This reflects rapid increases in smartphone usage, improvements in mobile websites and increasing consumer familiarity with smartphone purchasing.

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Smartphone Share of Mobile Transactions by Vertical



SMARTPHONES ARE PARTICULARLY STRONG FOR FASHION AND TRAVEL PURCHASES.

The smartphone, rather than the tablet, is particularly big in travel, fashion and luxury.

In contrast, the Home vertical, which includes home improvement, gardening and interior design products, sees both low smartphone transactions and low overall mobile transactions.

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The 5 New US Mobile Shopping Trends.

#5 It's now important to reach Android shoppers.

ANDROID MATTERS TODAY ON SMARTPHONES.

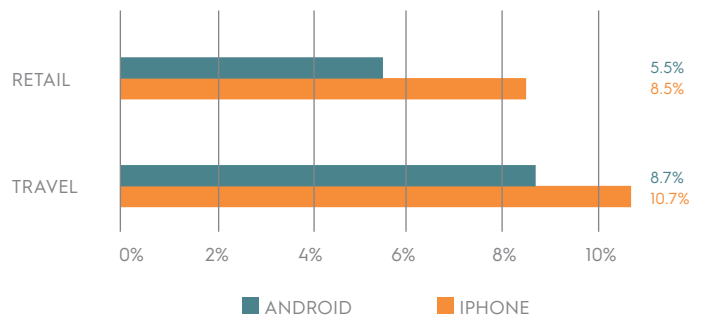
Nearly half of US smartphone travel transactions are now on Android. The share of Android is even higher in many other countries.

In retail, Android smartphone is gaining significance with more than 5% of all transactions, though still less significant than iPhone.

Apple continues to dominate on tablets. iPad generates 11% of retail transactions vs. 2% from Android tablets.

Due to the ongoing growth of smartphone commerce, Android looks set to grow its share of all retail sales.

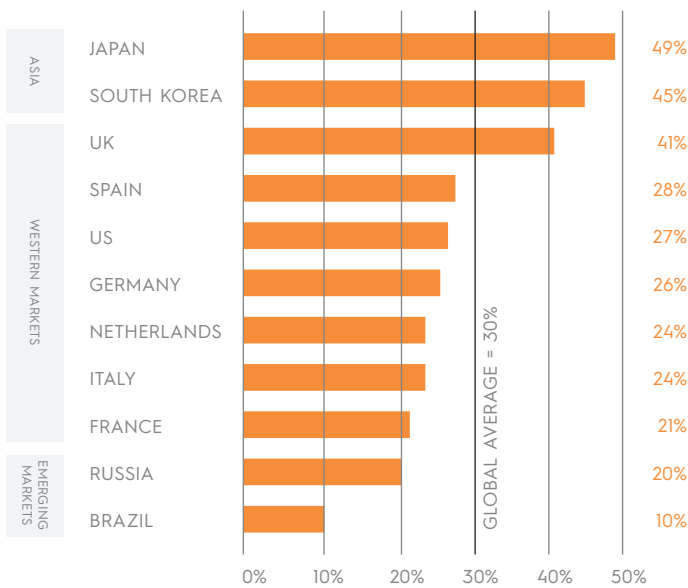
iPhone and Android Smartphone Share of all eCommerce Transactions



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Global Mobile Commerce Trends.

Mobile Share of Online Retail Transactions, by Country



MOBILE NOW ACCOUNTS FOR 30% OF GLOBAL ONLINE RETAIL SALES, WITH ASIA LEADING THE PACK.

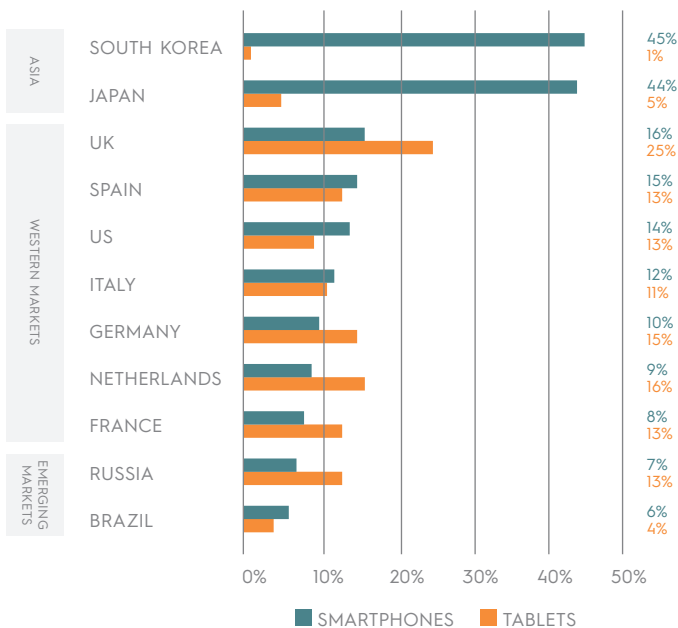
Japan and South Korea are advanced markets for mobile shopping with more than 45% of online retail transactions coming via mobile devices.

UK leads the Western markets with 41% of transactions from mobile.

Emerging markets like Brazil and Russia have lower share of mobile transactions than Western markets.

US, Q4 2014

Smartphone and Tablet Share of eCommerce Transactions



SMARTPHONE SHOPPING IS PREFERRED IN ASIA, WHILE TABLETS ARE IMPORTANT IN THE WEST.

Asia leads the way in smartphone purchases with close to 45% of eCommerce transactions happening on smartphones and very little tablet share.

In the rest of the world, tablet is significant, and sometimes still represents more than half of mobile transactions.

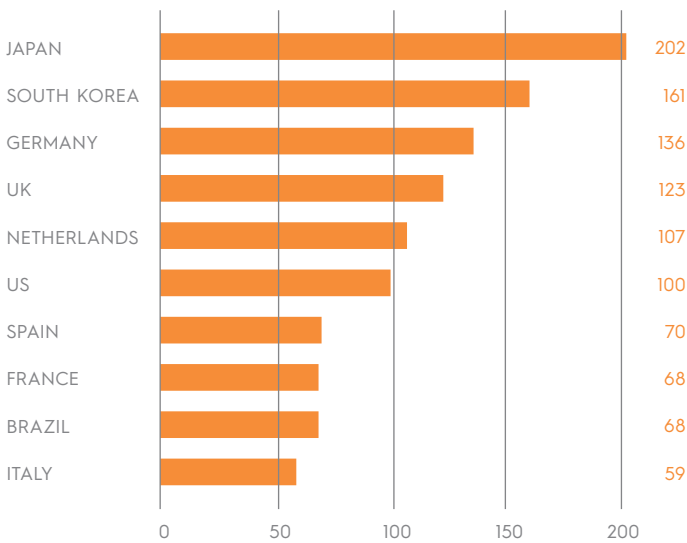
UK leads the Western markets in share of both smartphone and tablet transactions.

Brazil and Russia have fairly low levels of smartphone purchasing. However, share of tablet transactions in Russia is high and similar to most Western markets.

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Global Mobile Commerce Trends.

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



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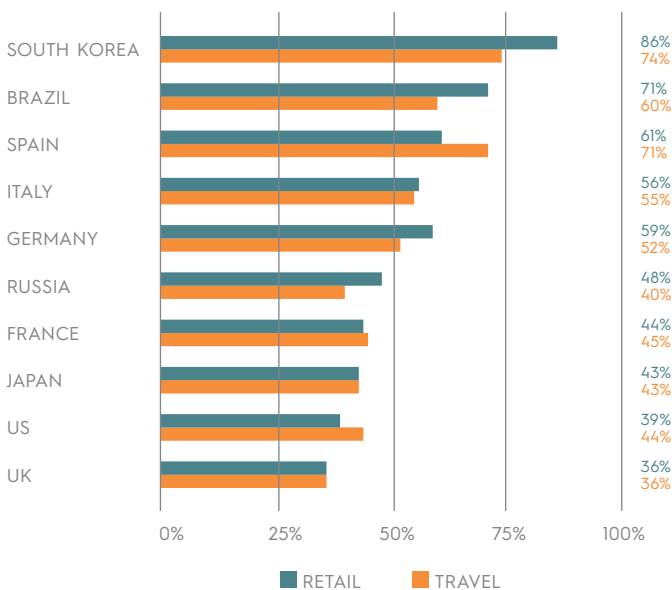
JAPANESE ECOMMERCE SITES HAVE MOBILE CONVERSION RATES DOUBLE THE US.

Mobile conversion rates in Japan are much higher than the US. This partly reflects a market where advertisers have been delivering transactional mobile websites for longer.

The improving quality of mobile websites, greater usage of large-screen smartphones, and improvements in mobile payment methods are likely to boost conversion rates across Western markets.

If US conversion rates matched Japan, then mobile commerce would deliver almost half of all US ecommerce.

Android Share of Smartphone Transactions



US, Q4 2014

ANDROID NOW GENERATES MORE TRANSACTIONS THAN THE IPHONE IN MANY COUNTRIES.

Given South Korea is Samsung's home base, it might not be surprising that Android is responsible for 86% of retail sales on smartphones.

Share of eCommerce transactions from Android is now higher than iPhone in many countries including Germany, Italy, Spain, Brazil and South Korea. This is likely to mean greater focus on Android app development in these markets.

Apple is especially strong in the US, UK and Japan.

What will the future look like?

WE SEE FIVE BIG TRENDS FOR 2015:



Growth in mobile commerce is unstoppable. Asia will soon pass 50% of online transactions via mobile devices, while Western markets will catch up.



Smartphones will continue to displace slower-growing tablets. Larger-form-factor phones are an added accelerant to an existing trend toward greater use of smartphones for shopping.



Advertisers will focus heavily on improving their mobile websites. This will lead to dramatic improvements in conversion rates, especially as mobile payments become more seamless.



Apple and Android continue to battle it out, but both are winners. Total percentage of ecommerce generated by both will grow at the expense of Microsoft Windows.



Understanding cross-device behavior will be the biggest challenge and opportunity for marketers in 2015, as a majority of users going through their buying journey interact with the same site through 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 1,000 employees in 21 offices across the Americas, Europe and Asia-Pacific, serving over 6,000 advertisers worldwide with direct relationships with over 8,000 publishers.

Criteo ads reach 994 million unique Internet users (comScore, September 2014).

For more information, please visit www.criteo.com.

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