

State of Mobile Commerce

Apps and cross-device lead mobile business
Q2 2015

● Mobile Commerce Report Methodology

Individual transaction data analyzed



Over **3,000** online retail and travel businesses globally



1.4 billion transactions per year across both desktop and mobile sites



\$160 billion in annual sales

How can marketers use this data?



Benchmark your performance on relevant KPIs for your mobile browser, mobile app and cross device channels

● Executive Summary

Consumer mobile behavior continues to advance faster than retailers' ability to keep up.

- **French mobile transactions cross 20% share:** And it's much higher for top quartile retailers.
- **Retailers who optimize their mobile sites generate many more mobile transactions than those who don't:** Optimized sites perform better at every stage of the conversion funnel.
- **Apps generated almost 50% of mobile transactions for retailers* who have made their app experience a priority:** Mobile apps perform better than any other channel, including desktop.
- **Cross-device usage is now enormous. Cross-device purchasing powers 40% of eCommerce transactions.**

These trends and forecasts come from Criteo's Q2 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.

* Retailers that have over 25% of eCommerce transactions on mobile. Of those mobile transactions, more than 10% are from mobile apps and the rest from mobile browsers.

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Mobile Commerce Trends in France



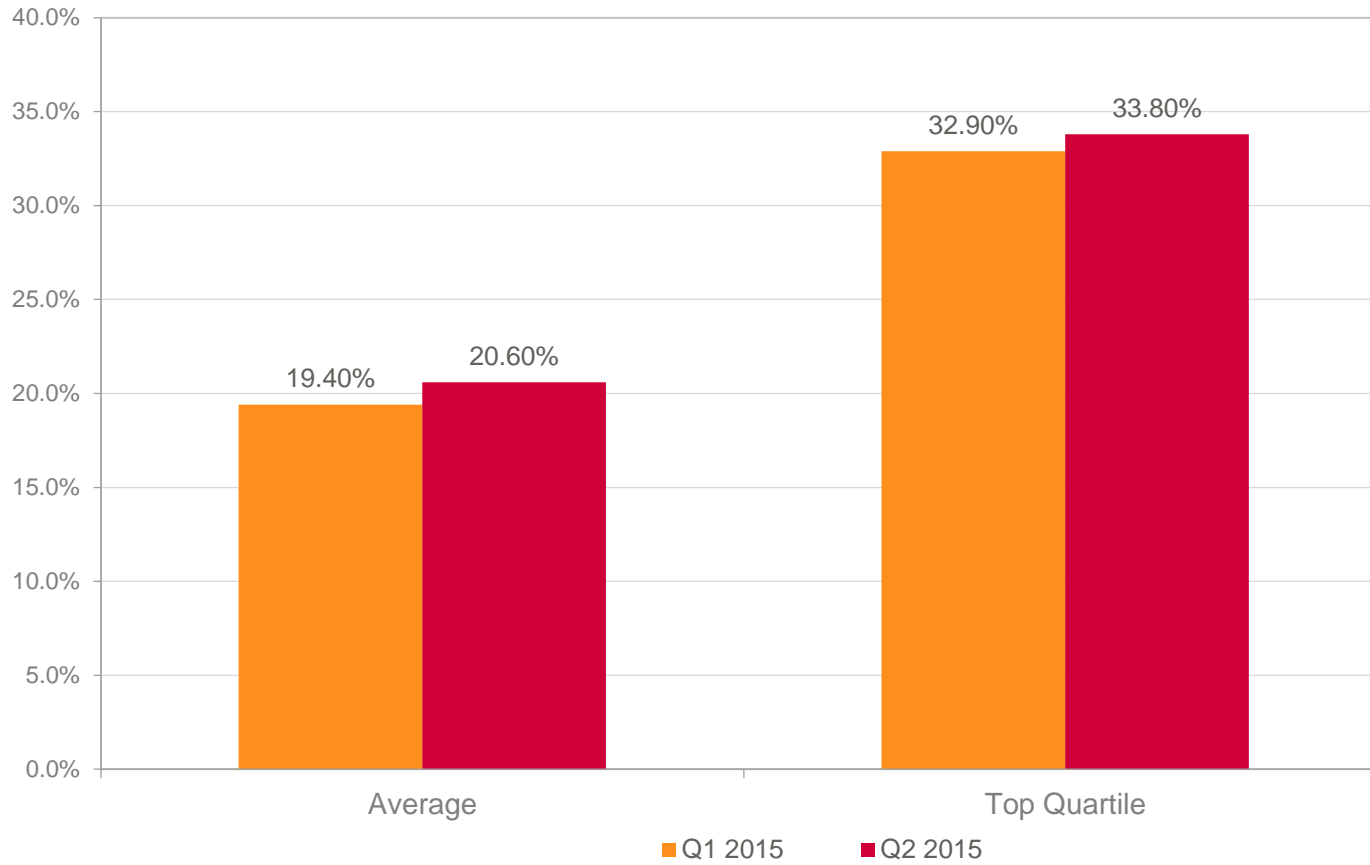
#1

French mCommerce
passes 20%, top quartile
at 33%



● The growth continues: Mobile commerce passed 20% share this quarter in France

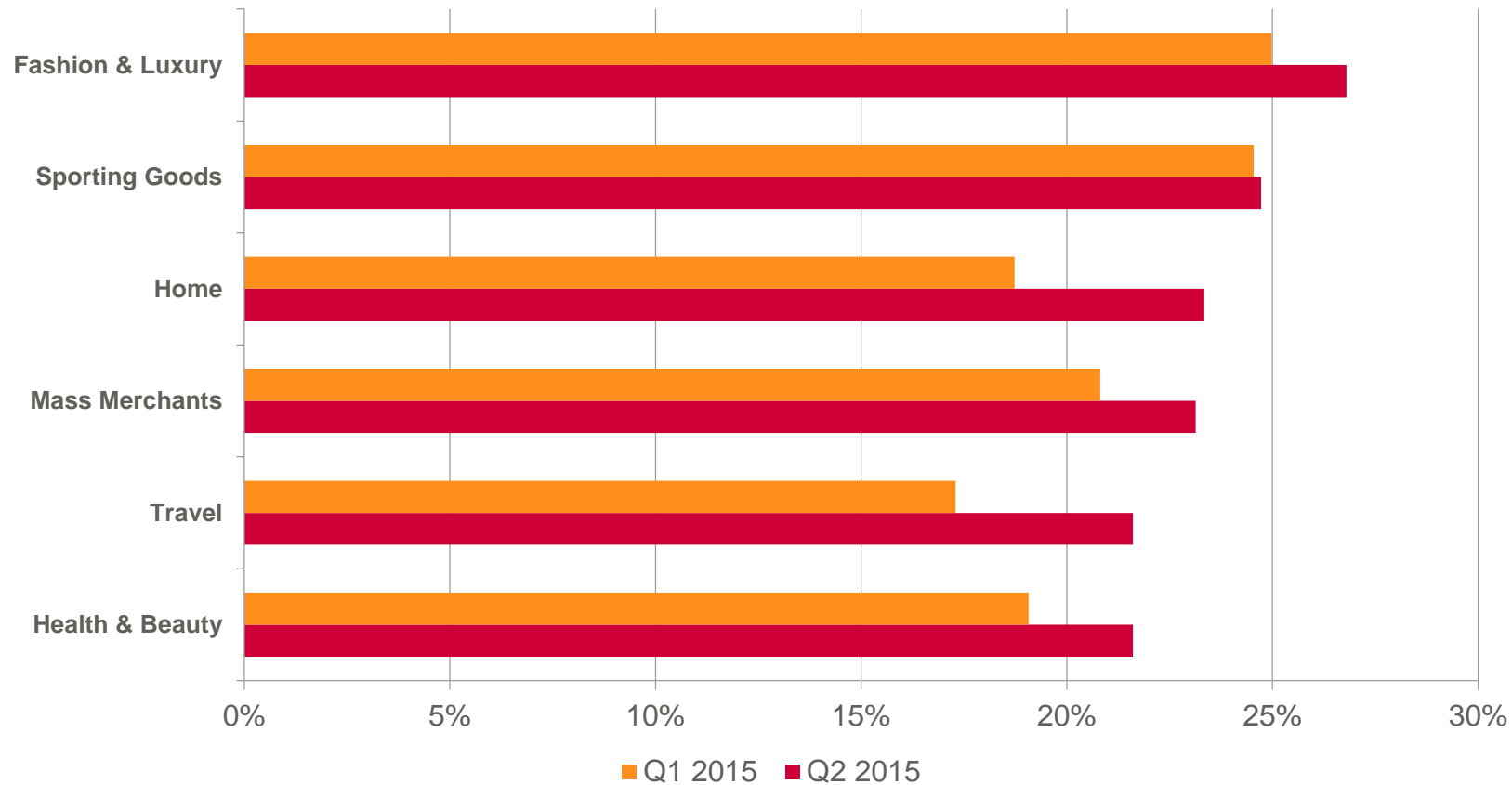
Mobile Share of eCommerce Transactions



- In Q2, mobile accounts for 20% of eCommerce transactions.
- Mobile share of eCommerce transactions for the top quartile retailers has increased to 34% in Q2.

● Mobile now significant for all retail categories

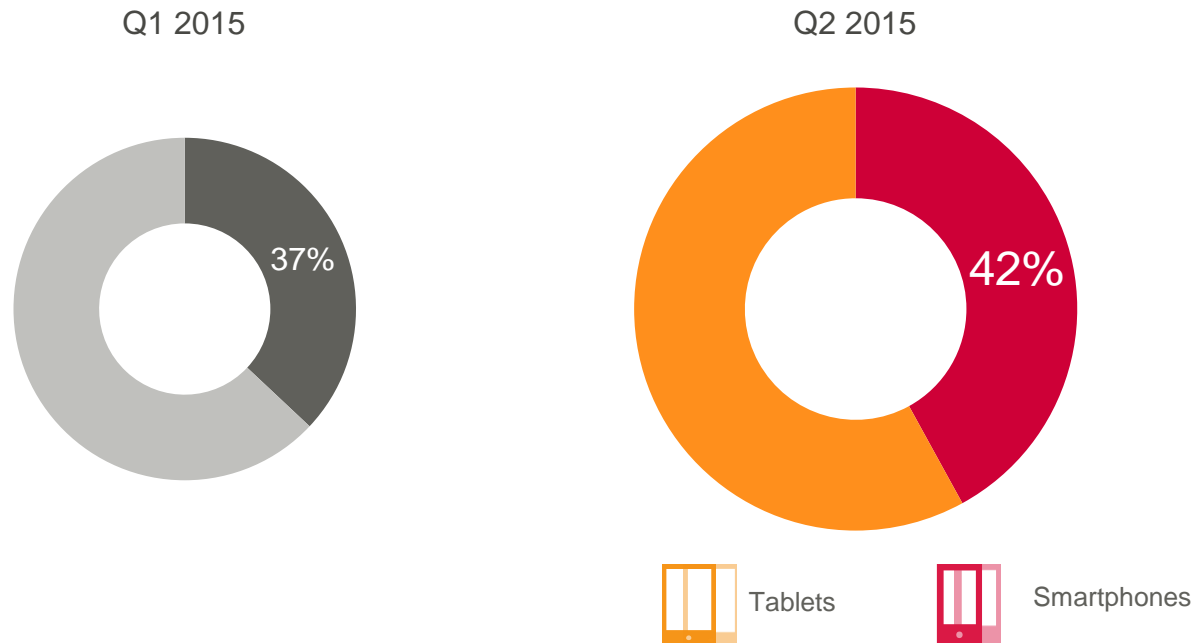
Mobile Share of eCommerce Transactions, by Category



- A quarter of transactions in the Fashion & Luxury and Sporting Goods categories now occur on mobile devices
- Mass Merchants, Travel and Health & Beauty are categories to watch as they are seeing consistent growth with smartphone adoption.
- The Home category has historically been slow-performing, but is now growing rapidly.

Smartphones continue to displace tablets

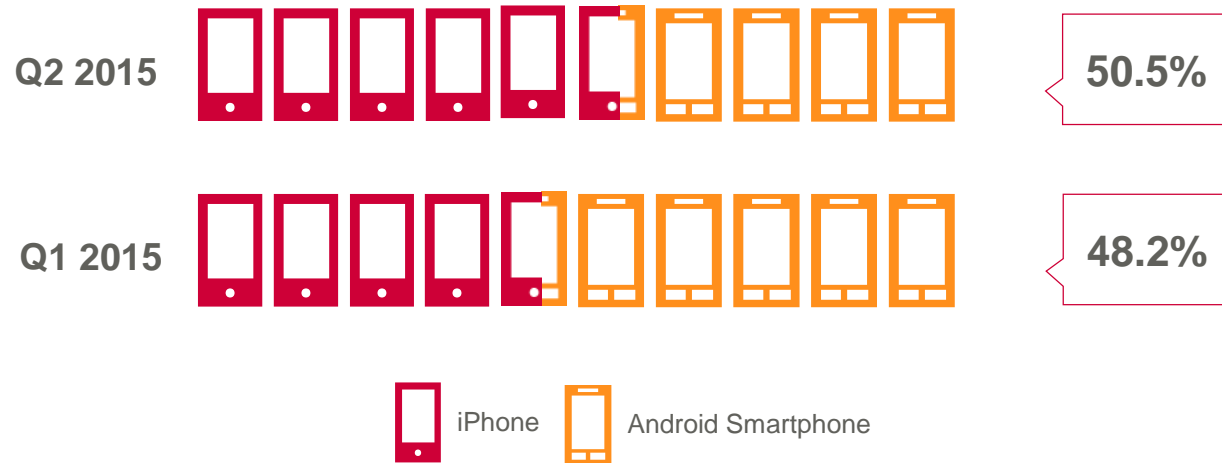
Smartphone vs. Tablet Share of Mobile Transactions



- The majority of mobile transactions in France are on tablets, but smartphones are growing, increasing to 42% this quarter.
- 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.

● iPhone is starting to squeeze Android

iPhone Share of Smartphone Transactions



- iPhone passed Android to take the majority of smartphone transactions in Q2 at 50.5%, up from 48.2% in Q1.
- Though Android smartphone is losing ground to iPhone, the absolute spend on Android has been stable.

#2

Mobile optimized sites
are the secret to
mCommerce success.



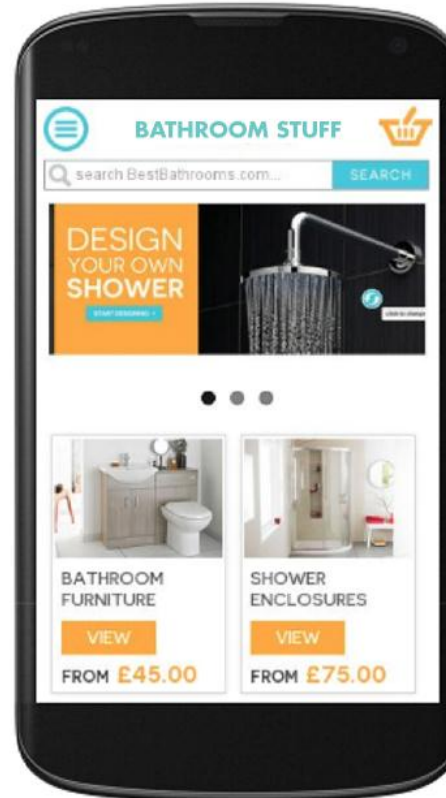
● Three levels of mobile site optimization today

Non-Optimized



The website has at least one of the following issues: content wider than screen, links too close together, mobile viewport not set or text too small to read.

Usable on Mobile



The desktop website is readable and usable on mobile but there is no specific mobile website or responsive design website.

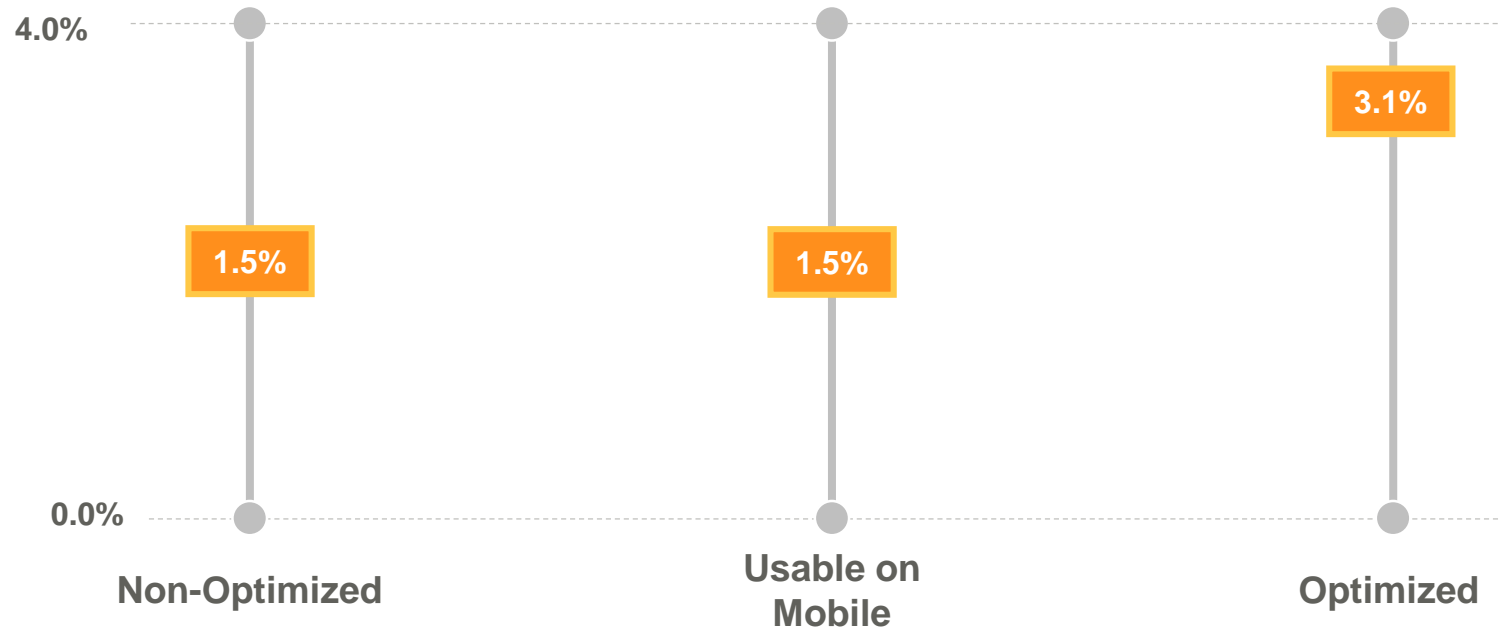
Optimized



The website is either designed to adapt on all mobile devices or specifically created for mobile.

● Conversion rates directly correlate to quality of the mobile site

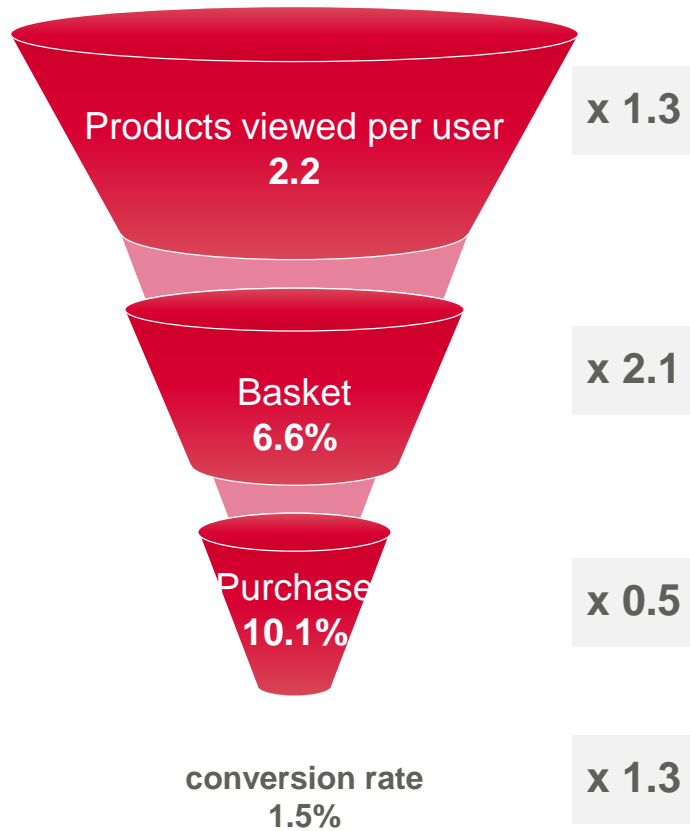
Mobile Retail Conversion Rates



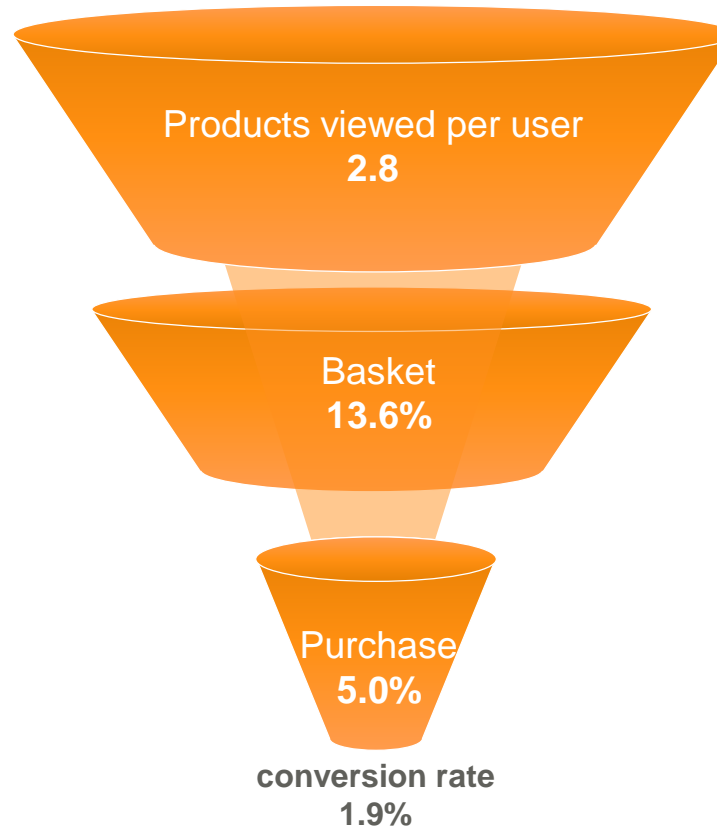
- As a site is more optimized, conversion rates increase.
- For websites that are usable on mobile or non-optimized, the conversion rates were identical in France.
- When a site is optimized, the conversion rate increases to 3.1%.

● Optimized sites perform better at every stage of the conversion funnel

Non-Optimized Sites Funnel



Optimized Sites Funnel



- For optimized sites, number of products viewed, add-to-basket rate and purchase rate is higher than non-optimized sites.
- This results in a higher conversion rate at 1.9% for optimized sites versus 1.5% for non-optimized sites.
- Differences in purchase rates are not very important – the key is the experience of browsing products and comfort in adding them to the basket.

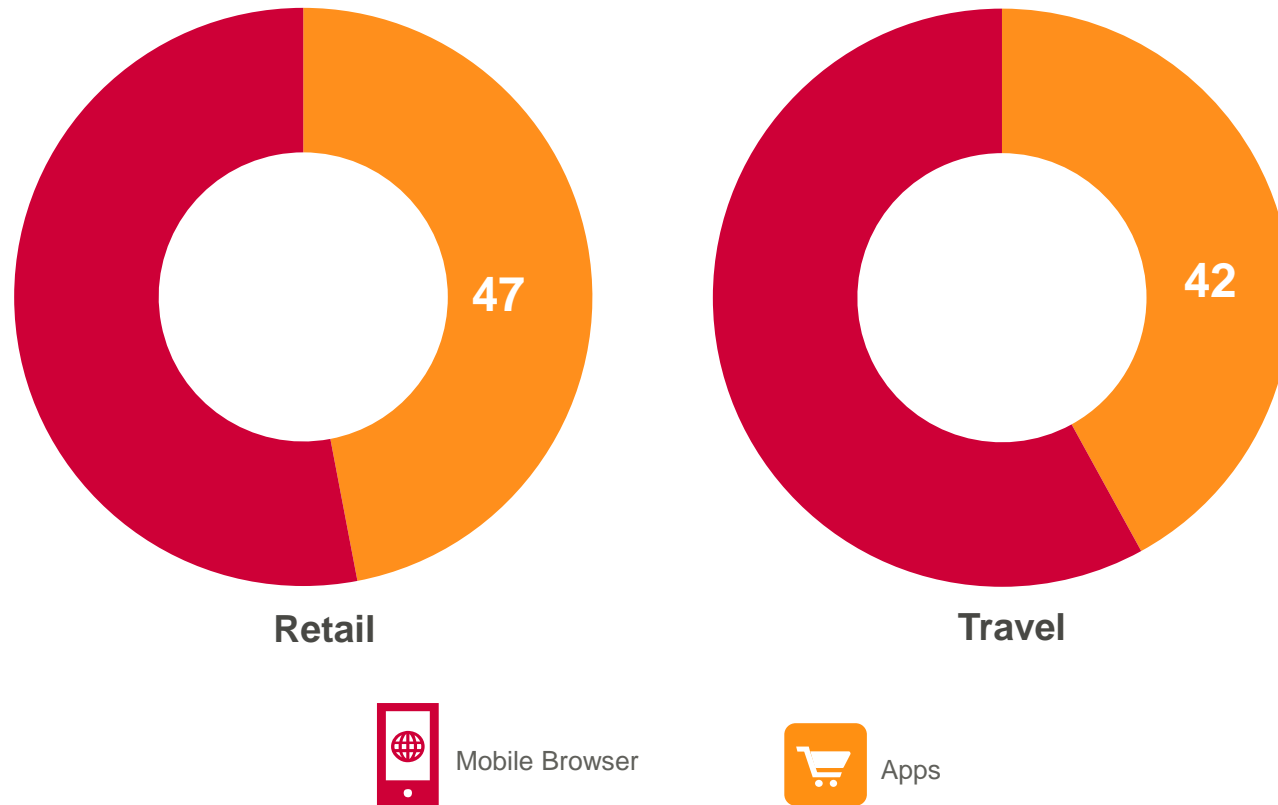
#3

This is why you want
an app



- Many retailers who have made their app experience a priority* see half of their mobile transactions on apps

App vs. Mobile Browser Share of Mobile Transactions

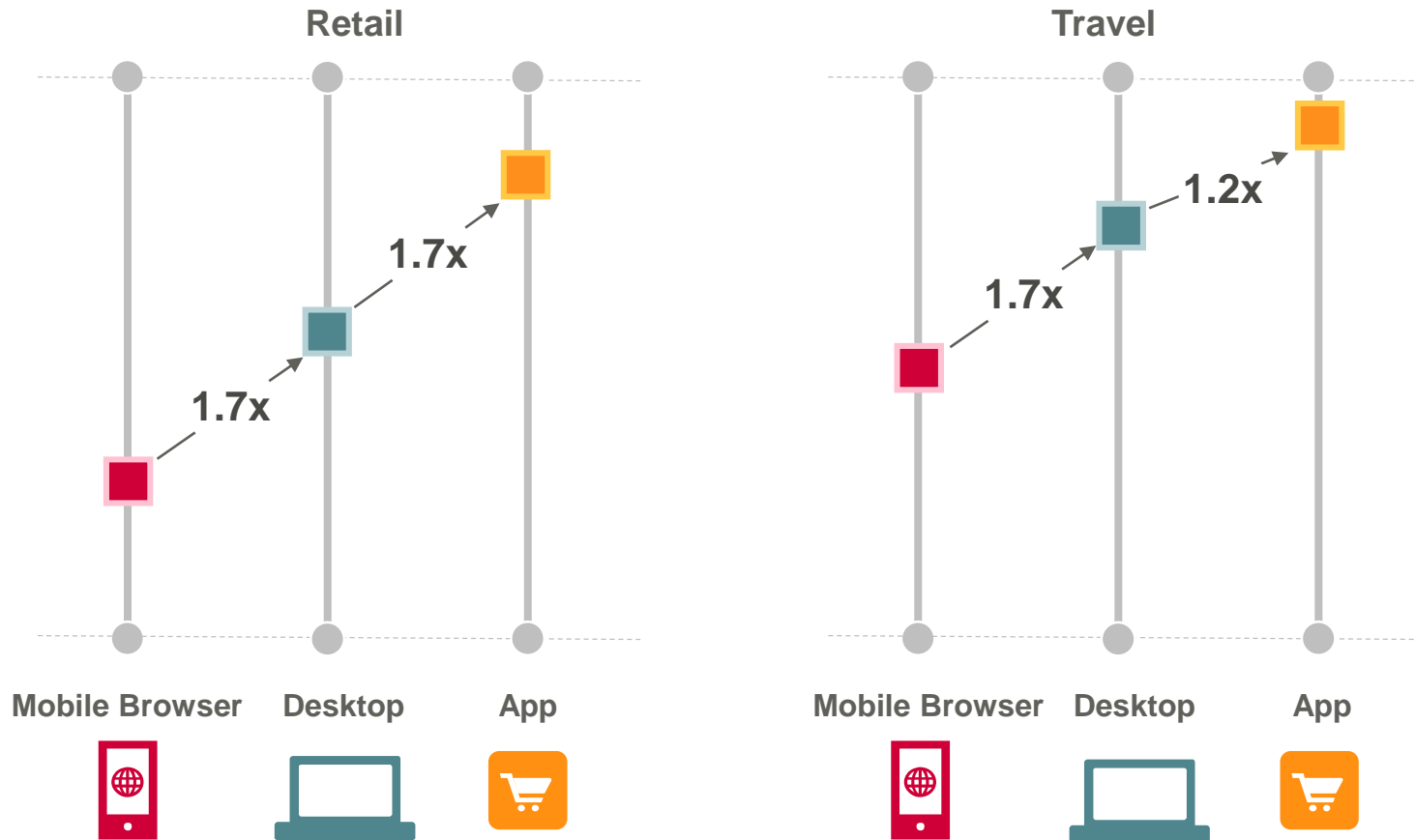


- Retailers who have prioritized their mobile app as a key revenue driver see significant share of transactions via their app.
- For these retailers, apps generate 47% of all mobile revenue.
- Apps are significant for last-minute travel bookings. 42% of mobile transactions come through apps for committed app businesses.

* Retailers that have over 25% of eCommerce transactions on mobile. Of those mobile transactions, more than 10% are from mobile apps and the rest from mobile browsers.

● Done right, apps convert visits to sales better than the desktop site

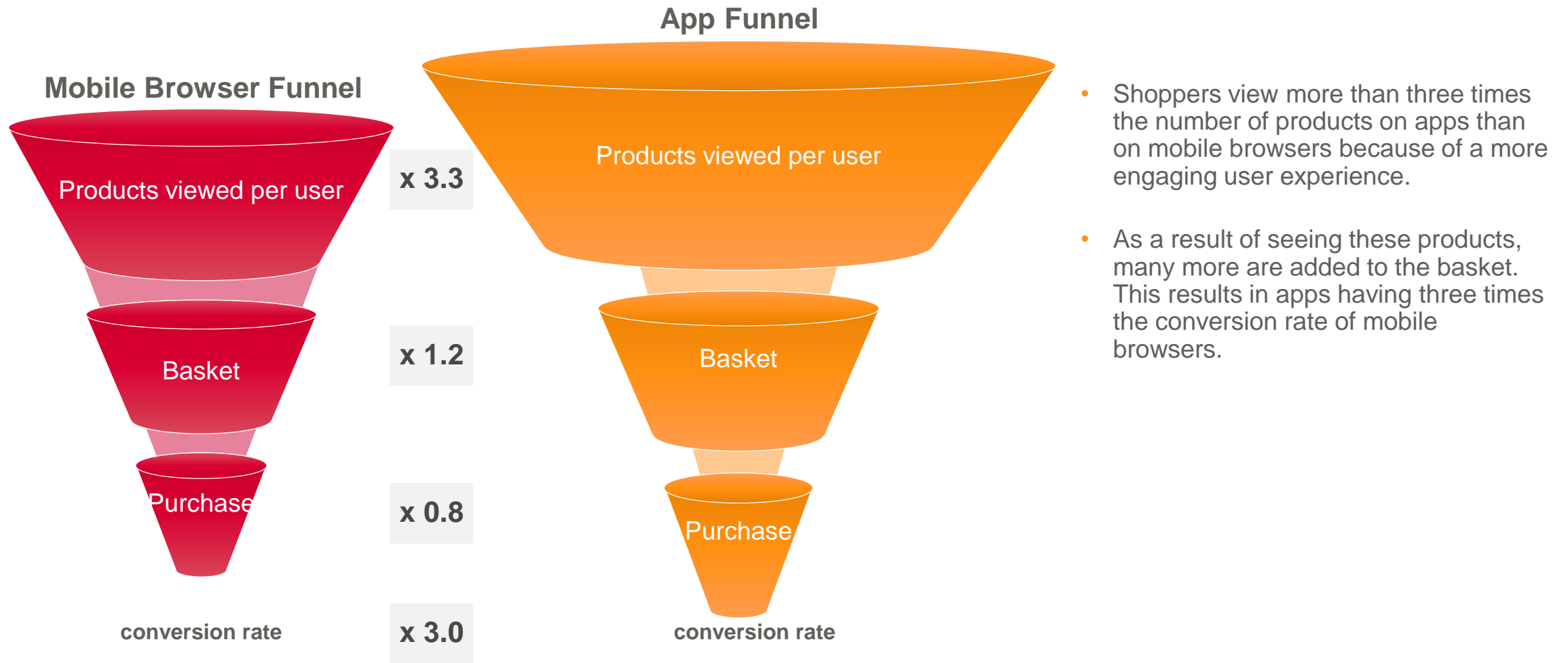
Mobile Retail* Conversion Rates



- Apps convert at a higher rate. Partly, this indicates that the user experience of apps is better than desktop and browser. It also reflects the fact that apps are used by more loyal customers, leading to higher conversion rates.
- In retail, consumers using the app convert at a rate three times higher than those using a mobile browser.
- With travel, the conversion rate for apps is almost two times that of mobile browser.

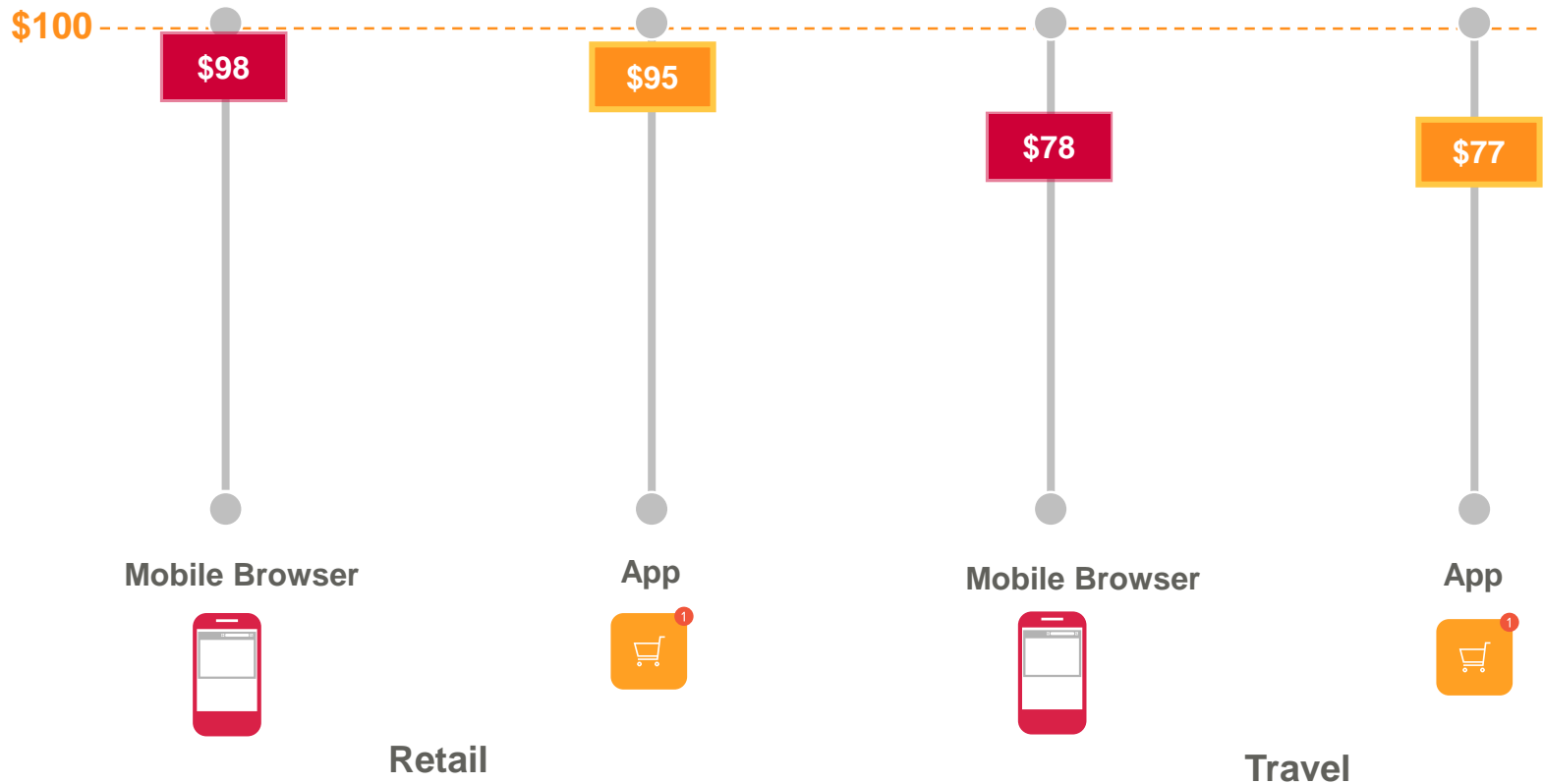
* Retailers that have over 25% of eCommerce transactions on mobile. Of those mobile transactions, more than 10% are from mobile apps and the rest from mobile browsers.

● Apps deliver higher conversion rates because they provide a much better product browsing experience



● App spend per transaction is the same as mobile browser

Mobile Order Values Compared to \$100 Spent on the Desktop for Committed App Retailers*



- In retail, the average order values on app, mobile browser and desktop are almost the same.
- Mobile order value in the travel category is lower than desktop, as mobile is used for last-minute, lower-cost purchases, such as same-day hotels. Average order values on mobile browsers and apps are very similar.

* A committed app retailer is a retailer that is live on both mobile web and app, that is for which more than 10 clicks are logged on each environment.

#4

Cross-device usage is
now enormous



● What is cross-device shopping?

Using multiple devices to visit a single retailer in the period leading up to a purchase.

Jill on day 1
At lunch



Jill on day 2
Commuting to work

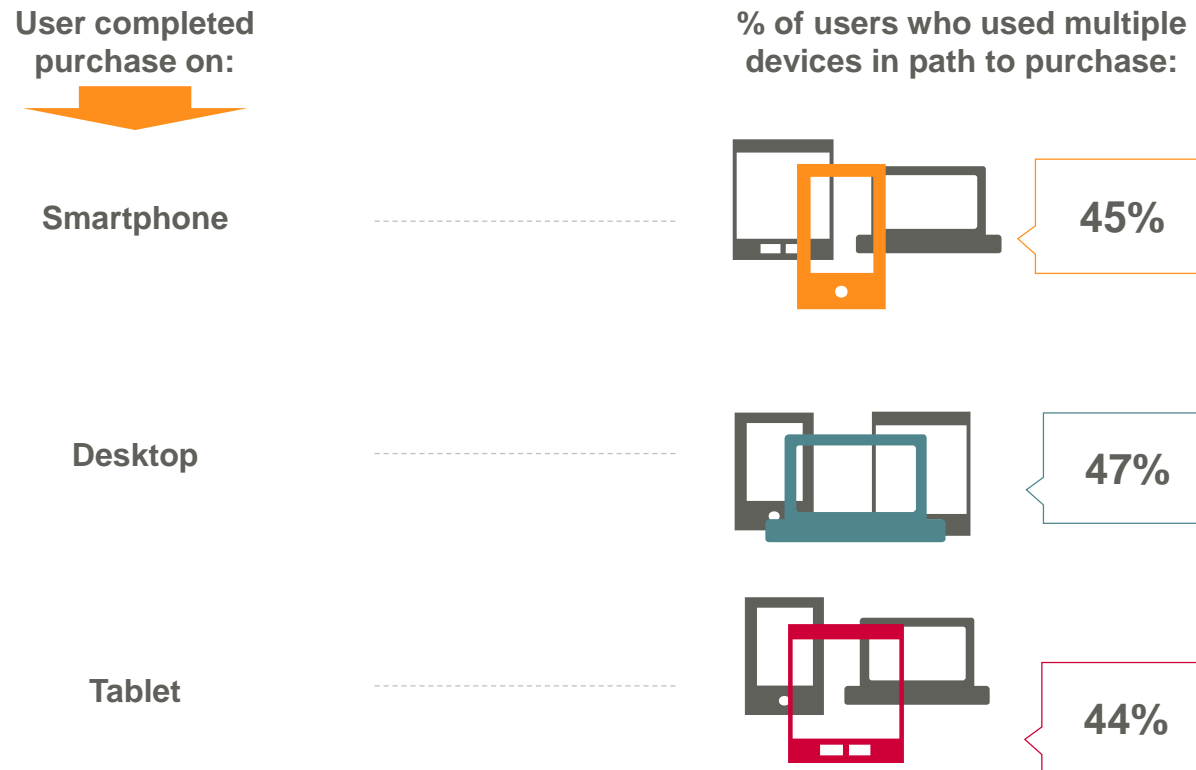


Jill on day 5
Lounging at home



● 46% of purchases now involve multiple devices prior to purchase *

Cross-Device Share of eCommerce Transactions in France

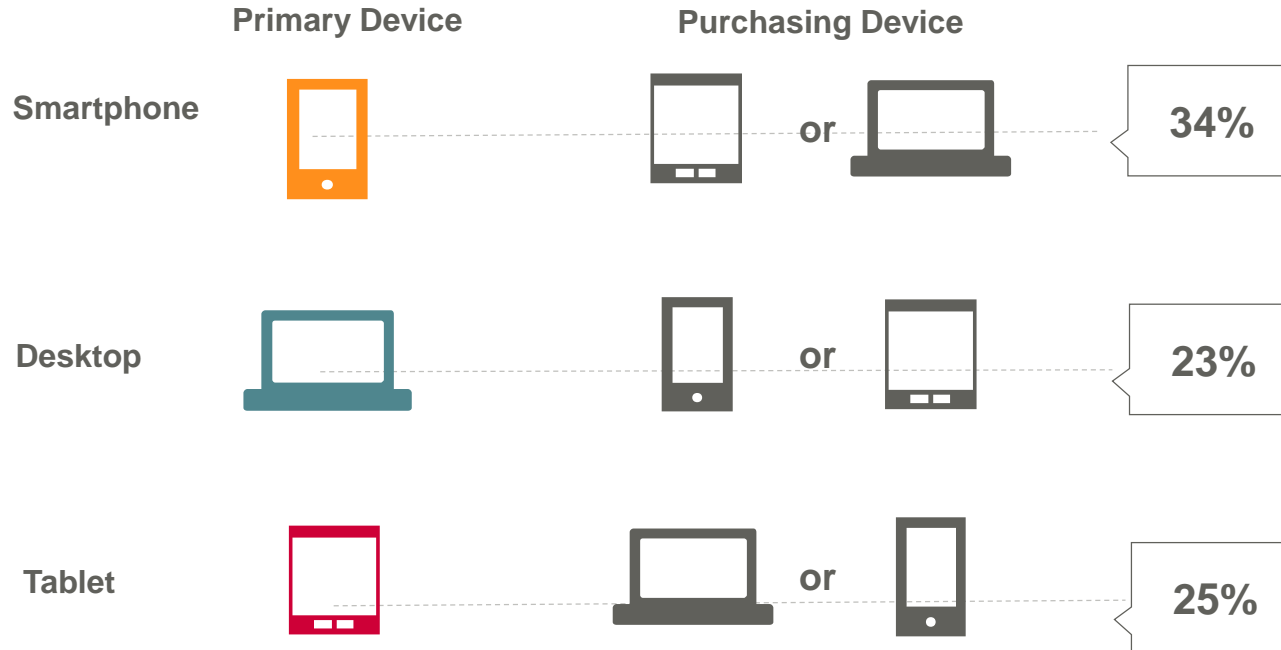


- Cross-device purchasing is huge. In 46% of purchases in Q2, the consumer accessed multiple devices in the preceding month to visit that same retailer prior to purchase.
- Using only one device to visit a retailer prior to purchase will soon be a rarity.
- The trend is similar across all devices, where cross-device transactions are significant no matter what the purchasing device.
- Such a high level of cross-device purchasing suggests advertisers now need to match users across devices. Otherwise, it's difficult to understand the ROI of paid marketing, or deliver a seamless consumer experience.

* Where the consumer has more than one device. Based on Criteo's Universal Match product providing exact matches of users across multiple devices.

- 28% of the time users do most of their decision making on one device and then purchase on a second device*.

Share of eCommerce Transactions Occurring on a Secondary Device in France



- A primary device is the device used for most of the interactions with a retailer.
- There is a misconception that consumers do not purchase on smartphones. The data shows that even when researching on a desktop, the purchase occurs on mobile 23% of the time.
- In fact, the trend to use a second device is very similar across all devices. This reflects the reality that people now use multiple devices throughout the day.

* Where the consumer has more than one device. Based on Criteo's Universal Match product providing exact matches of users across multiple devices.

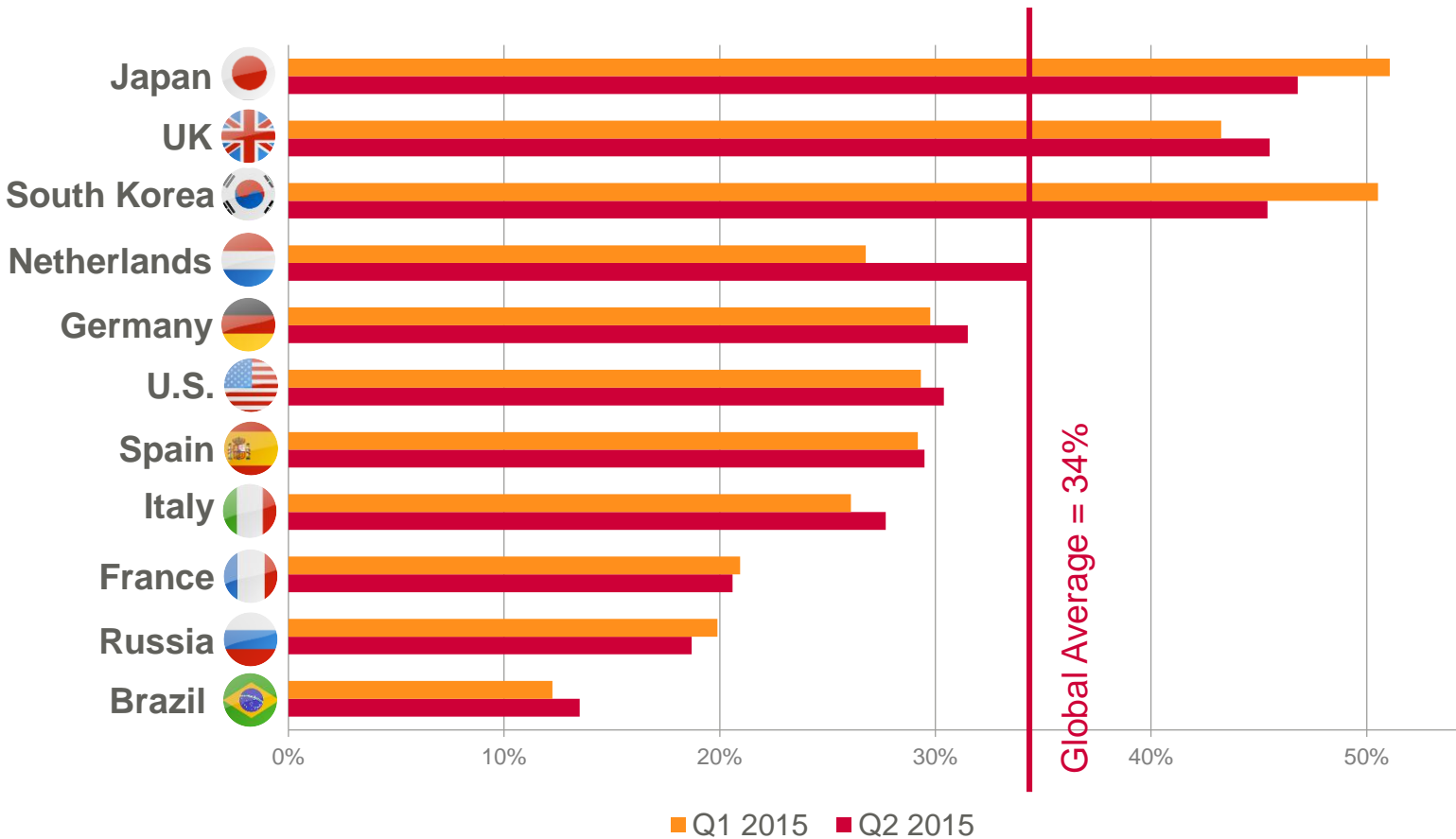
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Global Mobile Commerce Trends



● Asia and UK continue to be the mobile leaders globally

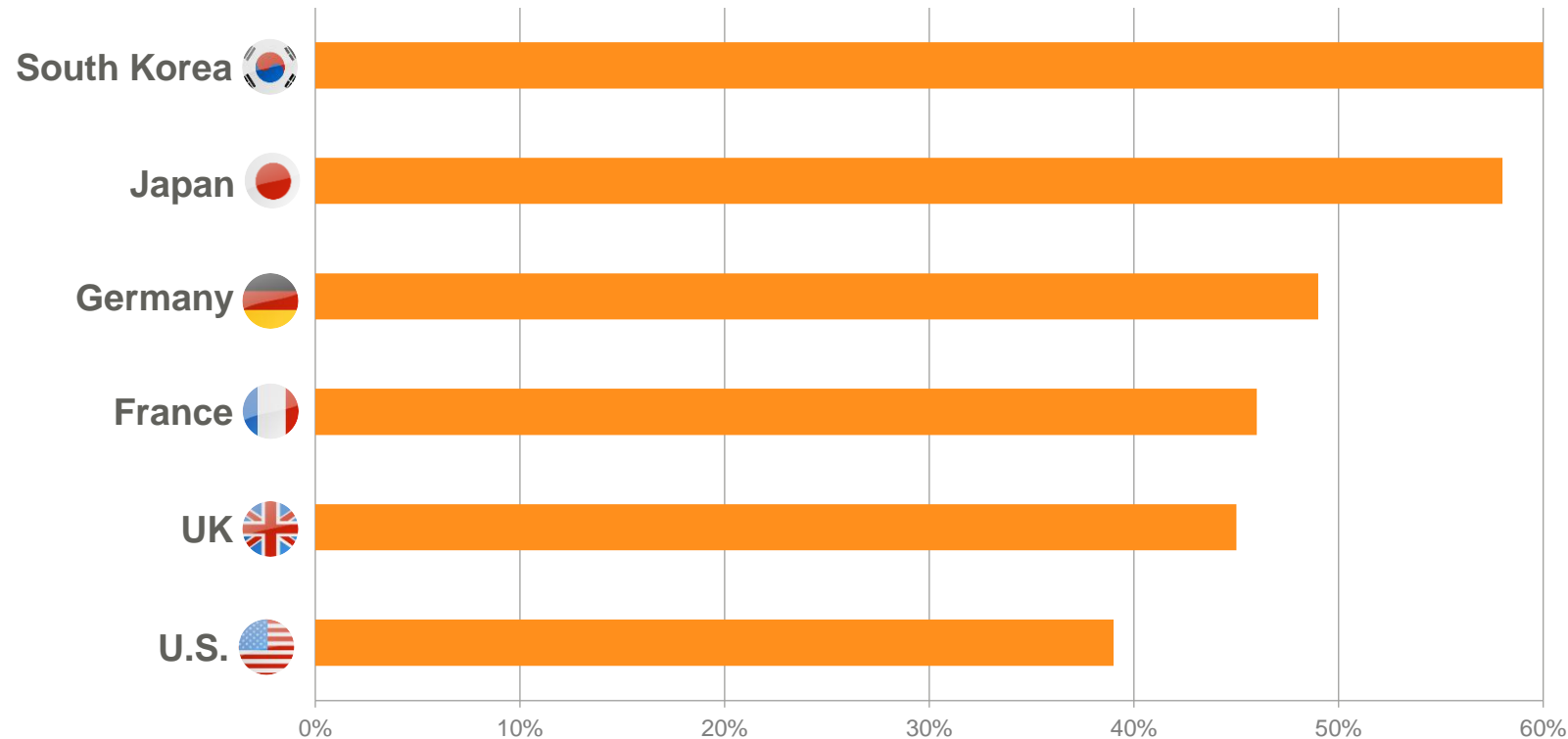
Mobile Share of Retail eCommerce Transactions



- mCommerce is now 34% of all eCommerce transactions globally – based on an accurate weighting of eCommerce market size by country.
- The U.S. is catching up with the global average, with 30% of eCommerce transactions coming from mobile devices.
- Growth rates are slower in Q2 as the holiday effect of new smartphone sales wears off.

Worldwide, consumers are using more than one device before they purchase

Cross-Device Share of Retail eCommerce Transactions*

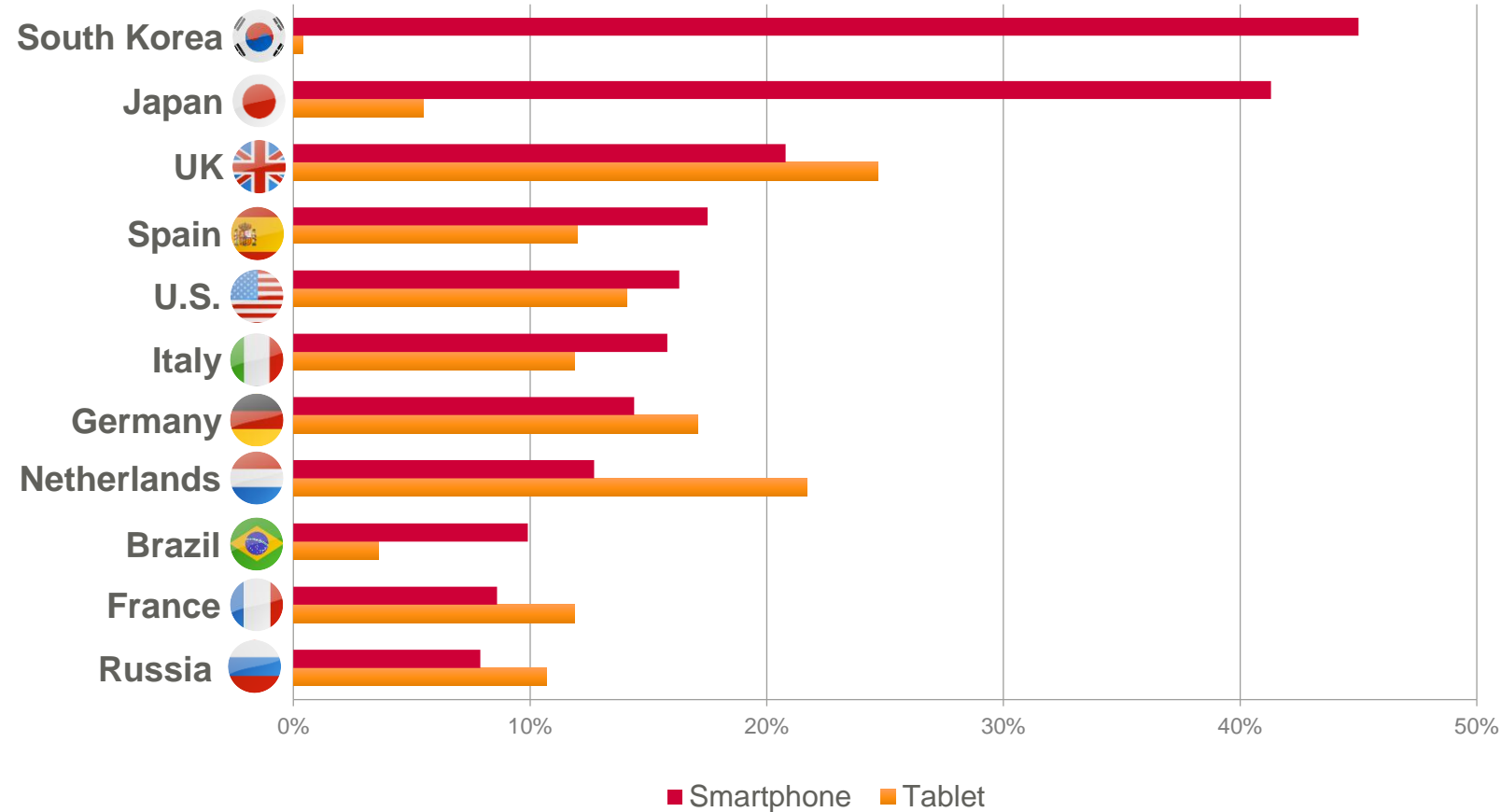


- Cross-device purchasing doesn't just happen in the U.S. In fact, levels are even higher in other markets.
- Asian markets see high levels of cross-device usage even though the phone is so heavily used in these countries.

* Where the consumer has more than one device. Based on Criteo's Universal Match product providing exact matches of users across multiple devices.

Smartphone is the dominant device worldwide

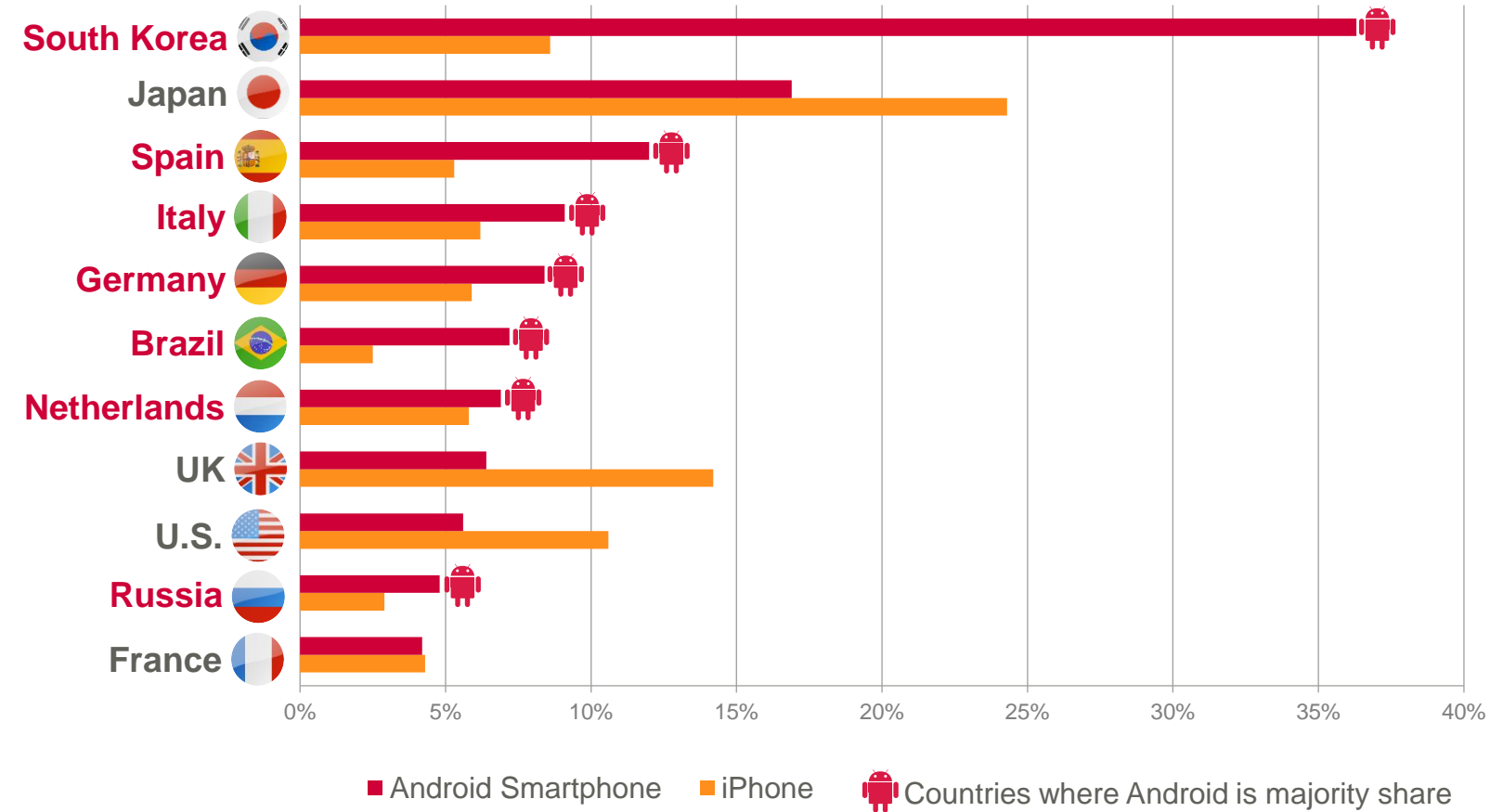
Smartphone and Tablet Share of Retail eCommerce Transactions



- Across the globe, smartphones have a higher share of mobile transactions than tablets.
- Japan and South Korea see more than 40% of eCommerce transactions from smartphones.
- Tablets are still a bit bigger than phones in the UK, Germany, France, Netherlands and Russia. But globally smartphone share is much higher than tablet.

● Android smartphone is bigger than iPhone in many countries

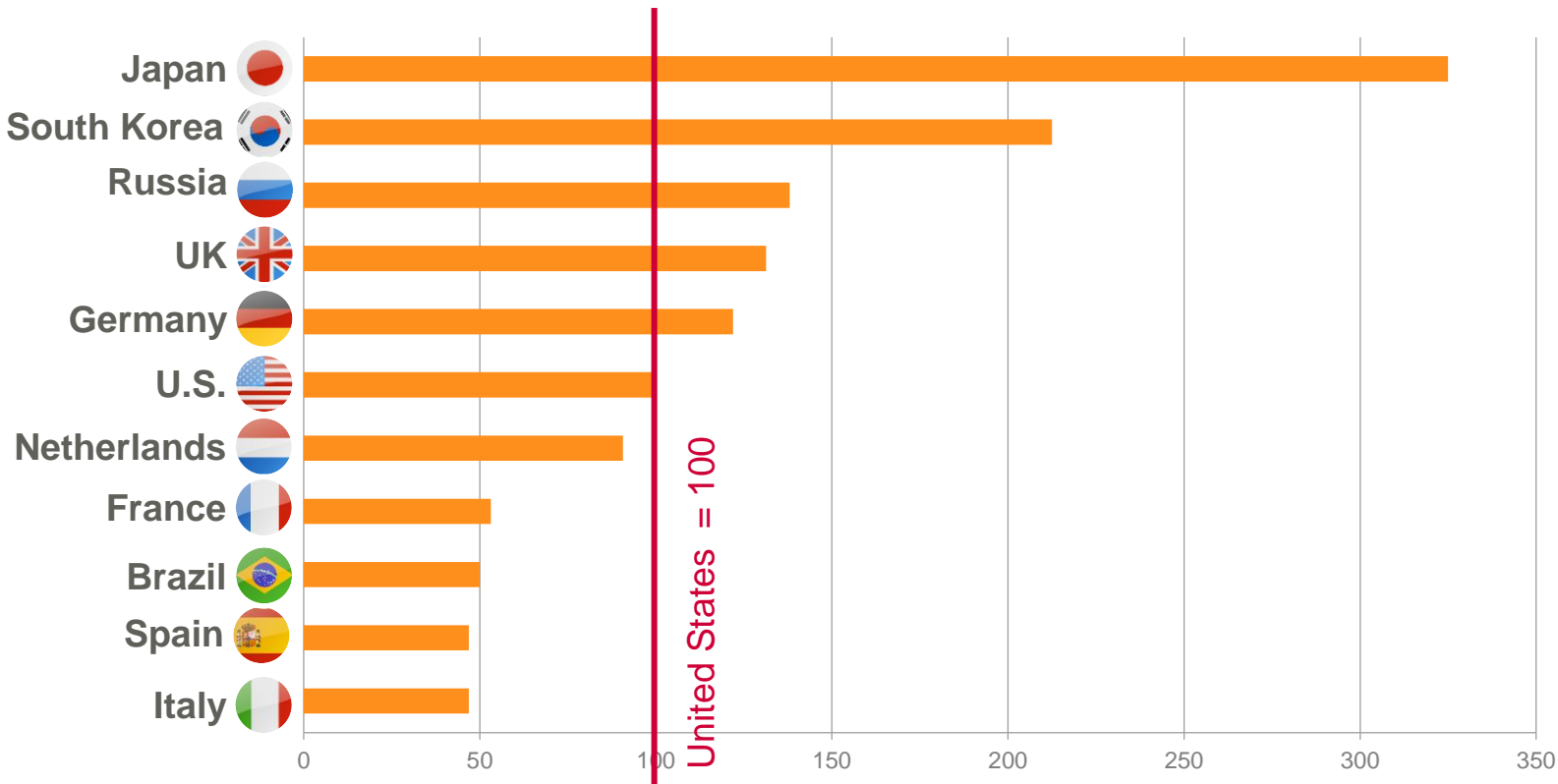
Android Smartphone and iPhone Share of Retail eCommerce Transactions



- Android delivers a significant share of smartphone transactions across the globe, greater than iPhone in most countries.
- Share of transactions from iPhone is significantly higher than Android only in the U.S., UK and Japan.

● UK leads the West in conversion rates, but still behind Asia

Retail Mobile Conversion Rates Compared to the U.S.
(Benchmarked at 100)



- The UK has a higher conversion rate than other Western countries, due to better usability and consumer experience on mobile websites.
- Mobile conversion rates in Japan are more than three times higher than in the U.S.

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.

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What will the
future look
like?



● So what does the future hold?

We see four big trends:

- **Growth in mCommerce is unstoppable.** By year-end, mobile share of eCommerce transactions is forecast to reach 40% globally.
- **Smartphones will continue to displace slower-growing tablets due to larger available screens.** Apple is gaining ground on Android, but both are winners vs. a shrinking desktop.
- **Apps are the next frontier:** Advertisers will start to significantly invest in their mobile app as a way to drive more conversions than desktop and engage with their loyal customers.
- **Dealing with cross-device behavior is the biggest challenge and opportunity** for marketers in 2015. With 40% of sales already cross-device, marketers have to talk to users and no longer to 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 1,500 employees in 23 offices across the Americas, Europe and Asia-Pacific, serving over 7,800 advertisers worldwide with direct relationships with over 10,000 publishers.

Criteo ads reach over 1 billion unique Internet users (comScore, March 2015).

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.