

DECEMBER 18, 2015

HOLIDAY 2015 DIGITAL COMMERCE TRENDS

WEBCAST WITH **GIAN M. FULGONI**, CO-FOUNDER AND EXECUTIVE CHAIRMAN EMERITUS OF COMSCORE INC.

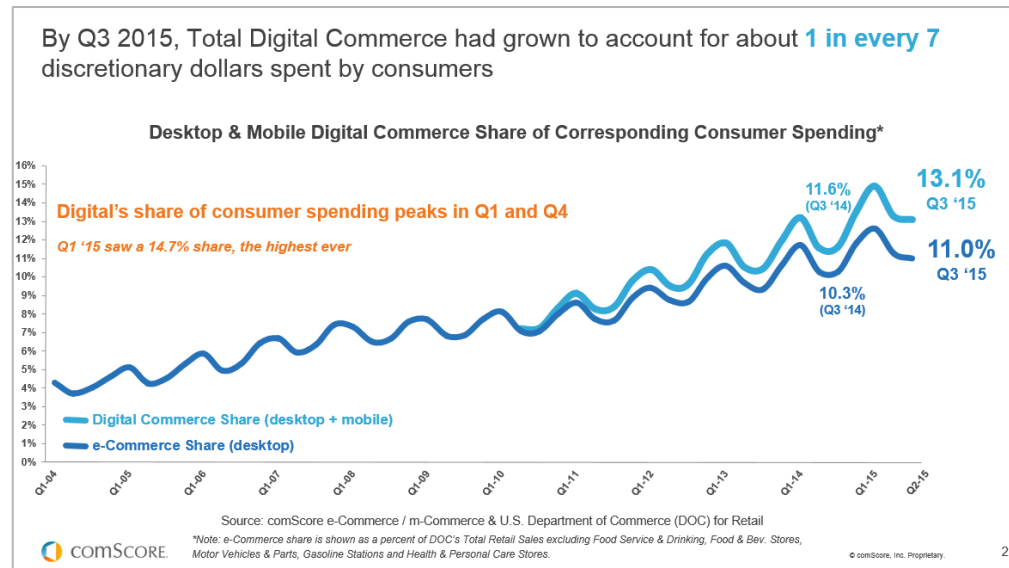


comScore. As part of our holiday webinar series, on Friday, December 18th, FBIC hosted Gian Fulgoni, Co-Founder and Chairman Emeritus, and Andrew Lipsman, VP of Marketing & Insights, from comScore. Fulgoni and Lipsman shared their insights on 2015 holiday commerce trends.

COMSCORE FORECASTS YEAR-OVER-YEAR HOLIDAY E-COMMERCE GROWTH OF 14.3%, DRIVEN BY MOBILE

comScore predicts a 4.3% year-over-year total sales increase for this holiday season. This relatively optimistic estimate is based on a forecast of 14.3% growth in digital channels. Broken down into desktop versus mobile, sales from mobile devices are predicted to increase by a dramatic 47% this holiday, accounting for about half of the overall e-commerce growth. In terms of dollar value, comScore estimates that e-commerce (desktop and mobile) sales will total \$70 billion over the holidays.

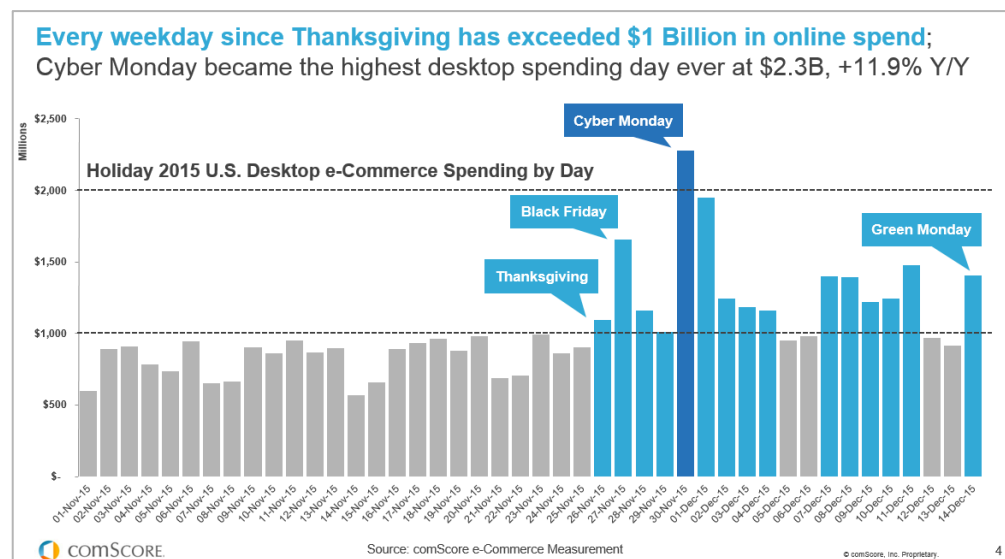
By the third quarter of 2015, digital spending accounted for 13.1% of consumers' discretionary spending. Fulgoni mentioned that, by the end of this holiday season, that number is expected to rise to 15%–16%. As a point of reference, the National Retail Federation forecasts 3.7% growth this holiday, slightly less than the 4% growth reported for holiday 2014. Boston Consulting Group anticipates 4.5% growth.



MOBILE IS EATING AWAY BRICK-AND-MORTAR SALES

Lipsman mentioned that a key trend this season is mobile eating away brick-and-mortar sales. This observation is backed up by ShopperTrak, which said in-store sales were down by 10% over the five-day Thanksgiving weekend. The company noted that mobile sales accounted for 30% of total e-commerce over the weekend, and that mobile traffic peaked on Black Friday.

Looking at the second half of the holiday season, sales and traffic volume on certain key dates (such as Free Shipping Day) will boost overall results for the remainder of the season. This year, Free Shipping Day is on a Friday (December 18), and consumers should feel confident that they will receive gifts by Christmas if they order by December 18.



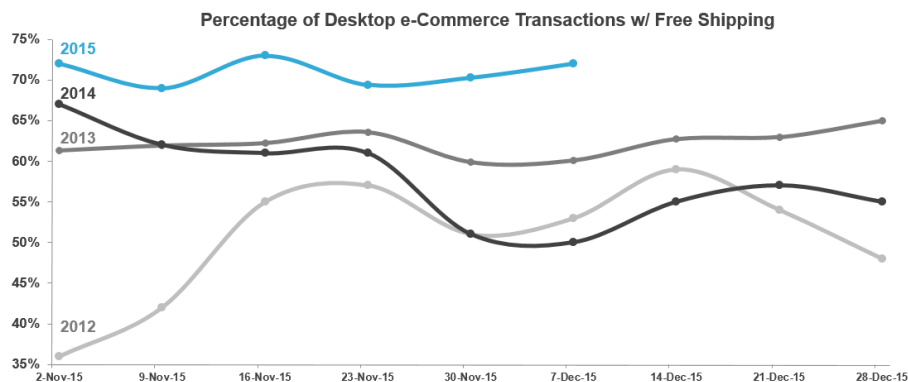
EARLY START OF HOLIDAY SHOPPING SEASON BENEFITED EARLY ONLINE SHOPPING SALES DAYS

Due to early promotions, the holiday shopping season started earlier this year. And the early key shopping days reported high year-over-year growth: Thanksgiving, Black Friday and Cyber Monday all recorded over 100% growth this year, whereas Green Monday (December 14) posted a 48% increase over last year. Online shopping has been a key growth area for retailers. From Thanksgiving Day through Green Monday, over a billion dollars in online sales were recorded every weekday, and desktop spending hit \$2.3 billion on Cyber Monday, a new record.

FREE SHIPPING IS BECOMING THE NEW NORM

So far this holiday season, comScore has seen more than 70% of orders involving free shipping every week, the highest percentage since 2012, when the company started tracking the service. Since sales have been soft this year, retailers are taking no risks in pulling back on their offers of free shipping. To compensate their margin loss, many have tried to mark up prices and still offer free shipping as “the perceived value.” However, given the current high level of price transparency, free shipping is hurting retailers’ margins.

The **importance of free shipping** can clearly be seen in 2015, as a higher percentage of retail transactions have free shipping compared to previous years



HOME AND GARDEN AND APPAREL AND ACCESSORIES ARE THE TOP-PERFORMING CATEGORIES THIS SEASON

Home and garden is the fastest-growing category in e-commerce this season. Consumers are taking advantage of holiday deals to improve their homes. Apparel and accessories is the top-ranked category by dollar amount. Retailers' efforts to simplify the return process have paid off, and consumers are getting more comfortable buying clothes online.

Home, Furniture, and Apparel are the top-gaining product categories for the Holiday Season so far; many categories are seeing slower growth via desktop as buying shifts to mobile

2015 Holiday Season to Date Desktop e-Commerce Sales – Category Growth vs. YA

Absolute Dollar Rank	Product Category	Season To Date* Y/Y Growth Rate
8	Home & Garden	Very Strong
7	Furniture, Appliances, & Equipment	Strong
1	Apparel & Accessories	Strong
4	Consumer Packaged Goods	Strong
9	Event & Movie Tickets	Strong
14	Sports & Fitness	Moderate
3	Consumer Electronics	Moderate
18	Video Games	Moderate

Growth rate definitions:
Very Strong: +15% or higher
Strong: +10-14%
Moderate: +5-9%

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Source: comScore e-Commerce Measurement
* Based on corresponding shopping days in 2014

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9



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