

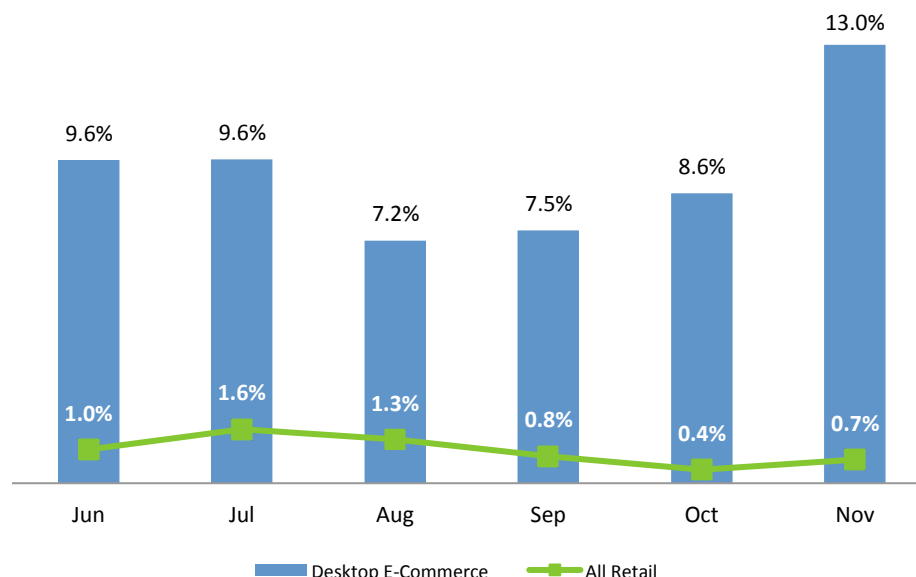
NOV. 2015 US E-COMMERCE BRIEFING

DESKTOP E-COMMERCE SALES GREW BY 13.0% IN NOVEMBER

- In November, US online retail sales made via desktops (excluding auction sites, event tickets and nonretail travel) rose by 13.0% year over year, to \$23.8 billion, according to comScore.
- Including auction sites but excluding event tickets and nonretail travel, those same sales rose by 12.3%, to \$26.5 billion.
- Total online spending from desktops rose by 10.7%, to \$36.4 billion.



Figure 1. Growth In Us Desktop E-Commerce Sales And Total Us Retail Sales (Ex Automotive Fuel): YoY % Change (June 2015–November 2015)



Excluding motor vehicles and parts
Source: comScore/US Census Bureau

comScore's e-commerce data include sales for retail (excluding auction sites, event tickets and nonretail travel) desktop transactions only. The data exclude transactions made via smartphones and tablet devices, which account for a growing share (roughly 15.0%) of total e-commerce sales. Therefore, the comScore data underrepresent year-over-year growth rates in e-commerce. Since many consumers have shifted to mobile and are increasingly using the online and mobile channels interchangeably, FBIC believes desktop sales growth will slow in the not-too-distant future.

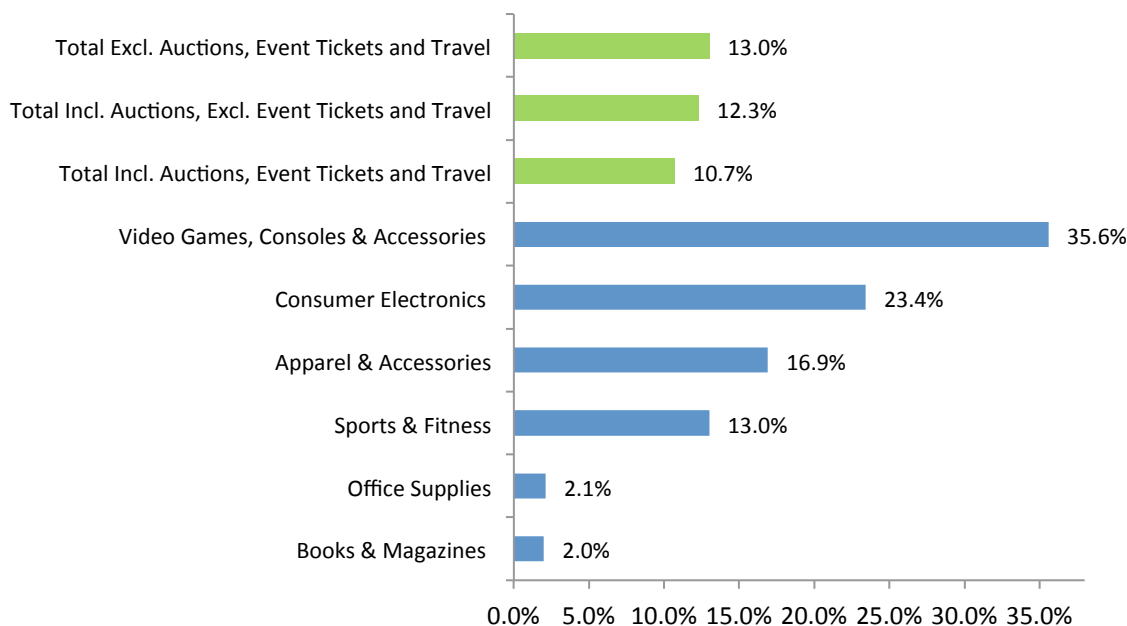
NOVEMBER RECAP

Overall, US retail sales (excluding autos) rose solidly in November as the holiday shopping season got off to a brisk start. The US Census Bureau reported that retail sales excluding automobiles, gasoline, building materials and food services increased by 0.7% in November compared to a year ago, after having slowed, surprisingly, in October. Consumers spent more on furniture, sporting goods, and health and personal care in November.

Online desktop spending (excluding nonretail categories) increased by 13.0% year over year, to \$23.8 billion, during the month. November year-over-year growth in web traffic varied from company to company, though more companies experienced acceleration in traffic, consistent with the overall improvement in November retail sales. November online spending benefited from an earlier shopping calendar and promotions. Hanukkah began on Sunday, December 6, which was 10 days earlier than it began in 2014. Retailers' promotional strategies contributed to a 26% increase in online sales over the Thanksgiving weekend, according to IBM. This November, 70% of online sales transactions involved free shipping, the highest percentage since 2012, according to comScore.

THE RUNDOWN BY CATEGORY FOR NOVEMBER

FIGURE 2. GROWTH IN DESKTOP E-COMMERCE SALES, BY CATEGORY: YOY % CHANGE (NOVEMBER 2015)



Source: comScore/FBIC Global Retail & Technology

WINNERS AND LOSERS

- **In November, online desktop retail spending increased by 13.0% year over year, to \$23.8 billion, excluding auction sites, event tickets and travel.**
- **Total US online desktop spending rose by 10.7% in November, to \$36.4 billion.** Online spending on travel was up by 6.1% year over year: hotel reservations were up by 3.7%, air travel by 6.9%, car rentals by 5.0% and travel packages by 6.2%.

FIGURE 2. US ONLINE RETAIL SALES: RISING AND FALLING CATEGORIES IN NOVEMBER 2015


Apparel and accessories sales grew by 16.9% year over year, to \$5.6 billion. The category accounted for the highest dollar spend of all comScore retail categories.

Consumer electronics sales rose by 23.4% year over year, continuing a strong run. Sales were driven by emerging tech products, including gadgets, smart home devices and wearable fitness activity trackers, according to the Consumer Electronics Association.

Video games, consoles and accessories sales were up by 35.6% year over year, to \$3.2 billion. According to GameStop, growth was driven by PlayStation 4 and Xbox One consoles, led by titles such as *LEGO Dimensions*, *Assassin's Creed Syndicate* and *Halo 5: Guardians*.

Sports and fitness saw further strong growth, with sales up by 13.0% year over year, to \$482 million.



Sales of **office supplies** grew by only 2.1% year over year in November, a weaker showing versus the category's 8.5% growth in October.

Books and magazines grew by just 2.0%, to \$585 million during the month. The slow growth likely reflected consumer adoption of tablet and mobile devices to purchase reading materials.

Flowers, appliances and miscellaneous gifts plummeted by 5.9%, to \$278 million: comScore data for this sector have traditionally been highly volatile, likely due to small sample sizes.

QUARTERLY COMSCORE DATA VS. US CENSUS BUREAU DATA

comScore and the US Census Bureau both provide quarterly data on e-commerce sales, which includes transactions made via desktop and mobile devices. The Census Bureau reported that total e-commerce sales grew by 15.2% year over year in the third quarter, to \$81.1 billion. These sales accounted for 6.8% of total retail sales, according to the bureau.

FIGURE 3. QUARTERLY E-COMMERCE SALES: US CENSUS BUREAU DATA VS. COMSCORE DATA (USD MIL.)

	US Census Bureau	comScore Desktop Only	comScore Desktop & Mobile	comScore Mobile Sales (%)
3Q 2015	81,100	54,231	64,226	15.6
2Q 2015	78,750	56,458	66,151	14.7
1Q 2015	74,920	58,256	68,345	14.8

comScore data are for retail only, excluding auctions, event tickets and travel.

Source: comScore/US Census Bureau/FBIC Global Retail & Technology

For the third quarter, comScore reported that total e-commerce retail desktop and mobiles sales were \$64.2 billion, up 14.0% over the same period last year. Total m-commerce (smartphone and tablet) retail sales captured 15.6% of digital dollars in the third quarter, indicating a noteworthy opportunity in terms of the mobile monetization gap for those retailers that are investing in mobile and tablet apps. As we predicted they would in our October e-commerce report, mobile sales accounted for a greater percentage of e-commerce sales in the third quarter.

COMSCORE VISITOR DATA

comScore's visitor data include mobile and desktop visits, which provide a fuller picture than figures that show only total e-commerce numbers. Please note that comScore visitor data tracks only smartphone and tablet data for mobile purchases.

The number of total unique visitors to all retail websites grew by 2.7% year over year in November, reflecting the maturity of the Internet channel in the US. Value growth online is principally being driven by existing Internet users spending more online.

Brick-and-mortar retailers Home Depot and Target saw some of the strongest visitor growth in November. This reflects the catch-up process some store-based retailers are playing as they seek to meet the new demand of online shoppers and compete with pure plays, which have enjoyed a head start when it comes to the online channel.

FIGURE 4. TOP FIVE RETAIL WEBSITES BY NUMBER OF VISITORS (IN THOUSANDS) AND YOY % CHANGE

	Sep 2015	YoY % Change	Oct 2015	YoY % Change	Nov 2015	YoY % Change
Amazon	187,612	11.3	189,830	7.9	192,702	14.9
Walmart	86,760	18.5	88,395	17.8	93,665	14.8
Target	59,712	17.6	61,643	14.9	77,603	29.3
Best Buy	37,748	40.2	34,347	25.9	58,407	26.8
Home Depot	30,344	30.6	33,538	19.8	40,187	40.3
Total Retail	231,115	2.1	233,778	4.9	234,621	2.7

Total includes visitors of multiple websites.

Source: comScore

Amazon: Amazon experienced relatively strong 14.9% year-over-year growth in the number of visitors to its site in November. With nearly 193 million unique visitors, Amazon.com was the most-visited website during the month. Amazon recently launched Amazon Underground, a new app for Android phones that includes the same functionality as the Amazon iOS mobile shopping app, plus over \$10,000 worth of apps, games and in-app items for free. Additionally, the company added Prime Now service to eight metro areas in the past quarter. Prime members can now choose from tens of thousands of daily essentials with free two-hour and paid one-hour delivery in 17 locations around the world.

Walmart: Walmart enjoyed year-over-year site traffic growth of 14.8% in November. Walmart.com was the second-most-visited website behind Amazon.com, with over 93 million unique visitors. The solid growth was driven by the company's recent efforts to improve its app and simplify the checkout process on Walmart.com. According to comScore, the Walmart mobile app has seen a 34% increase in use year over year. Walmart also opened two automated fulfillment centers in the third quarter, in order to scale fast delivery to customers all across the US.

Home Depot: HomeDepot.com experienced the strongest November year-over-year visitor growth among the top retailers. The company has increased its online presence with initiatives such as buy online, ship to store; buy online, pick up in store; and buy online, return in store. Home Depot is also investing in its supply chain to support online growth, completing a fulfillment center in Troy Township, Ohio. The center allows Home Depot to ship parcels to 90% of US customers within two days or less. Sales and traffic have also benefited from an improving housing market, with total family housing starts above 1 million units in November, marking the longest stretch of 1 million or higher since 2007, according to the US Census Bureau.

FIGURE 5. TOP FIVE MOST VISITED RETAIL WEBSITES: DEMOGRAPHIC BREAKDOWN, NOVEMBER 2015 (%)

Age	Amazon	Walmart	Target	Best Buy	Home Depot	Total Internet
18–34	35.7	32.5	35.1	34.4	23.3	29.9
35–54	36.4	39.9	41.1	40.2	43.4	30.6
55+	24.5	25.4	21.5	23.6	32.5	23.4
Gender						
Male	47.8	42.2	39.3	52.7	52.0	49.9
Female	52.2	57.8	60.7	47.3	48.0	50.1
Household Income						
\$40,000–\$59,999	15.9	17.8	15.5	15.2	15.5	15.8
\$75,000–\$99,999	15.8	16.4	17.4	16.2	17.4	15.3
\$100,000 or more	34.2	29.7	34.3	36.2	38.0	31.7

Source: comScore

DECEMBER PREVIEW

comScore predicts a total sales increase of 4.3% year over year this holiday season—a gain that would be well above the 10-year average of 2.5% holiday sales growth. 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 and tablets 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. comScore predicts that by the end of the holiday season, that number will rise to 15%–16%.

Looking at the second half of the holiday season, sales and traffic volume on certain key dates, such as Free Shipping Day (Friday, December 18) and the Saturday after Christmas—which ShopperTrak expects to be the third-biggest day for holiday traffic—will boost overall results for the remainder of the season.

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