

State of Mobile Commerce.

Apps and cross-device lead mobile business

Q2 2015



JUNE 2015

Executive summary

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

Key takeaways



- **U.S. mobile transactions cross 30% 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 have a better conversion funnel at every stage.
- **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:** Consumer use of multiple devices to make a single purchase makes up 40% of eCommerce transactions.

Methodology: 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.*

U.S. mobile commerce trends

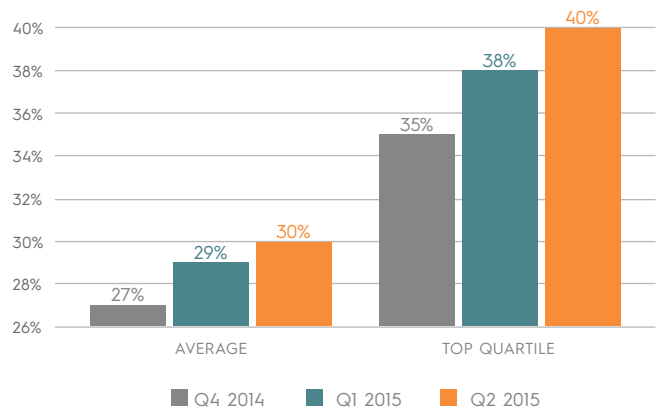
#1 U.S. mCommerce passes 30%, top quartile at 40% of total eCommerce transactions

MOBILE IS HUGE: U.S. MOBILE COMMERCE PASSED 30% SHARE THIS QUARTER

In Q2, mobile accounts for 30% of eCommerce transactions.

Mobile share of eCommerce transactions for the top-quartile retailers increased to 40% in Q2.

Mobile Share of eCommerce Transactions



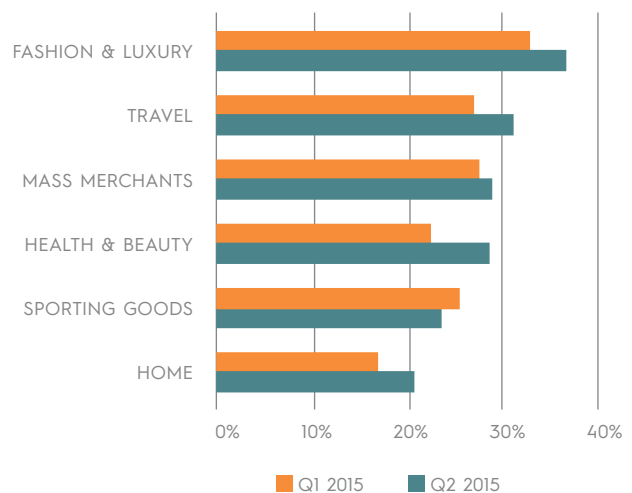
MOBILE IS NOW SIGNIFICANT FOR ALL RETAIL CATEGORIES

One in three transactions in the Fashion & Luxury and Travel categories is conducted on mobile devices.

Mass Merchants and Health & Beauty are categories to watch, as they are seeing consistent growth with smartphone adoption.

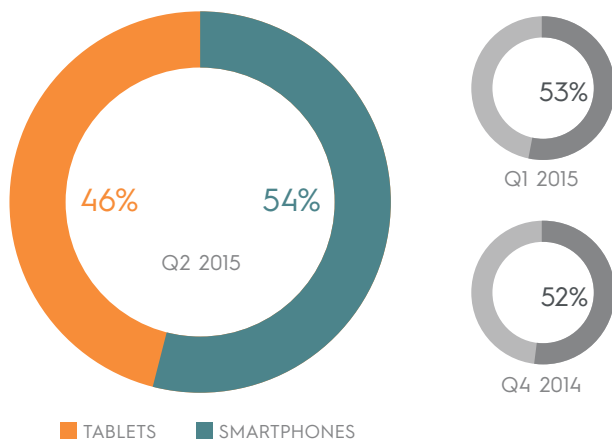
The Home category was slow-performing in Q1 but is now growing rapidly.

Mobile Share of eCommerce Transactions, by Top eCommerce Categories



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Smartphone vs. Tablet Share of Mobile Transactions



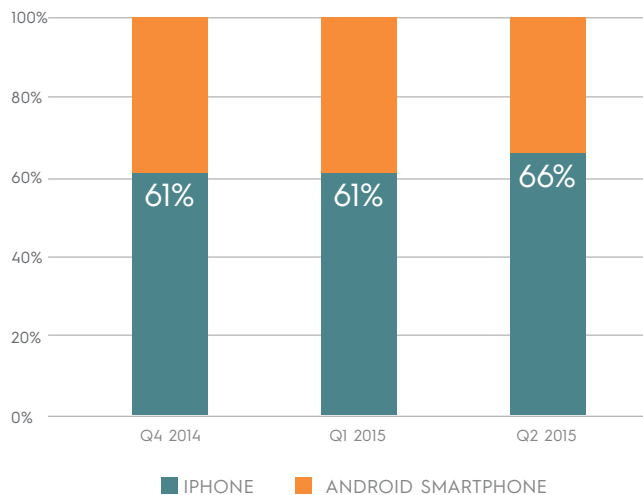
SMARTPHONES CONTINUE TO DISPLACE TABLETS IN THE U.S.

The majority of mobile transactions in the U.S. come from smartphones, increasing to 54% this quarter.

With the introduction of larger screens, such as with the iPhone 6 and Samsung Galaxy, consumers are finding smartphones a convenient way to complete purchases.

Even though the conversion rates on smartphones are lower than on desktops or tablets, smartphones generate more transactions due to significantly higher traffic.

iPhone Share of Smartphone Transactions



IPHONE IS STARTING TO SQUEEZE ANDROID IN THE U.S.

iPhone makes up the majority of smartphone transactions in the U.S. at 66%, up from 61% over the last two quarters.

Though Android is losing ground to iPhone, the absolute spend on Android has been stable (5.5% of all transactions in Q4 2014 to 5.6% in Q2 2015).

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#2 Mobile-optimized sites are the secret to mCommerce success

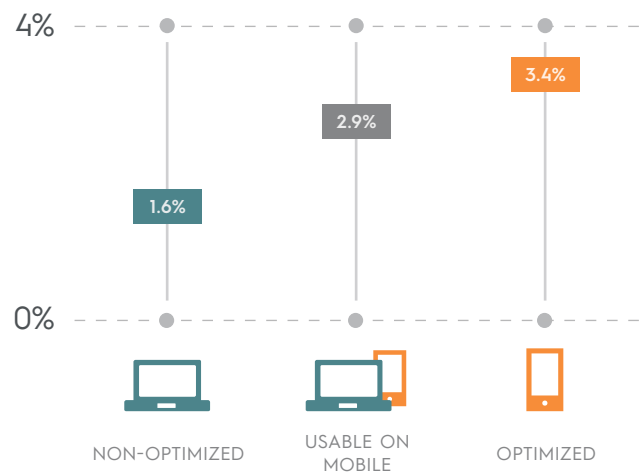
CONVERSION RATES DIRECTLY CORRELATE WITH THE QUALITY OF THE SITE

The more optimized the site, the higher the conversion rate.

For websites that are usable on mobile the conversion rate is 2.9%, versus 1.6% for non-optimized sites.

When a site is optimized, the conversion rate increases to 3.4%.

Mobile Retail Conversion Rates



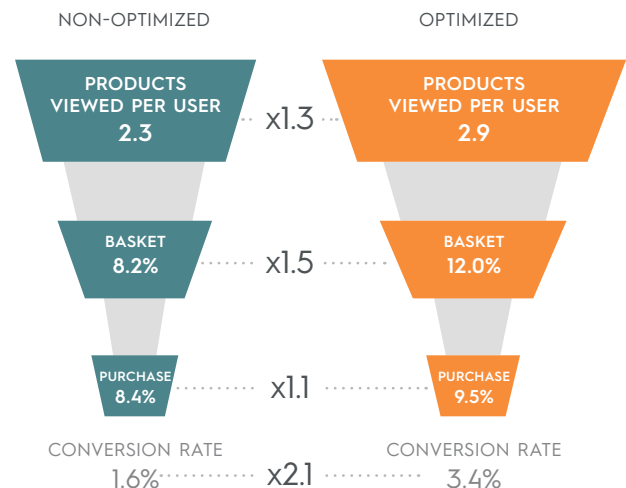
OPTIMIZED SITES HAVE A BETTER CONVERSION FUNNEL AT ALL STAGES OF PURCHASE

For optimized sites, the number of products viewed, add-to-basket rate and purchase rate are higher than non-optimized sites.

This results in a higher conversion rate at 3.4% for optimized sites versus 1.6% for non-optimized sites.

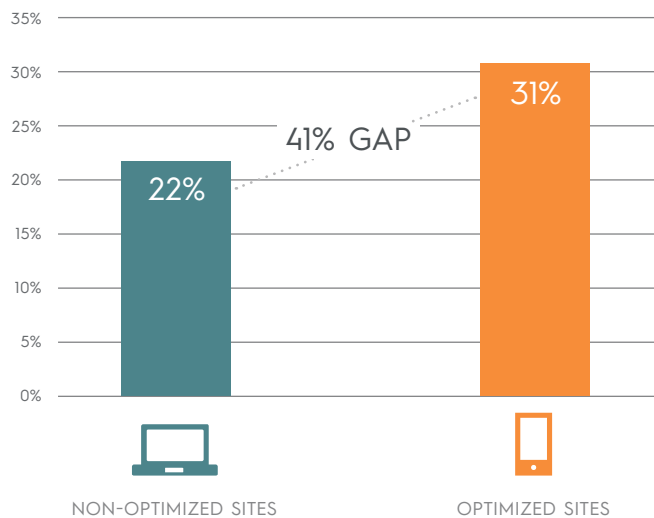
Differences in purchase rates are not very important – the key is the experience of browsing products and comfort in adding them to the basket.

Optimized vs. Non-Optimized Mobile Site Funnel Metrics



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Mobile Share of eCommerce Transactions



OPTIMIZED SITES DELIVER MANY MORE MOBILE SALES

Optimized sites see a larger share of mobile transactions than non-optimized sites.

The difference is significant: non-optimized sites have 22% of their eCommerce transactions via mobile versus 31% for optimized sites. This represents a potential 41% opportunity for sites that are not optimized today.

U.S. mobile commerce trends

#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

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.

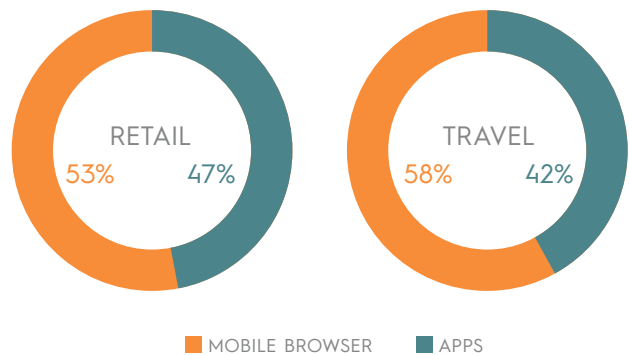
DONE RIGHT, APPS CONVERT VISITS TO SALES BETTER THAN A DESKTOP SITE

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.

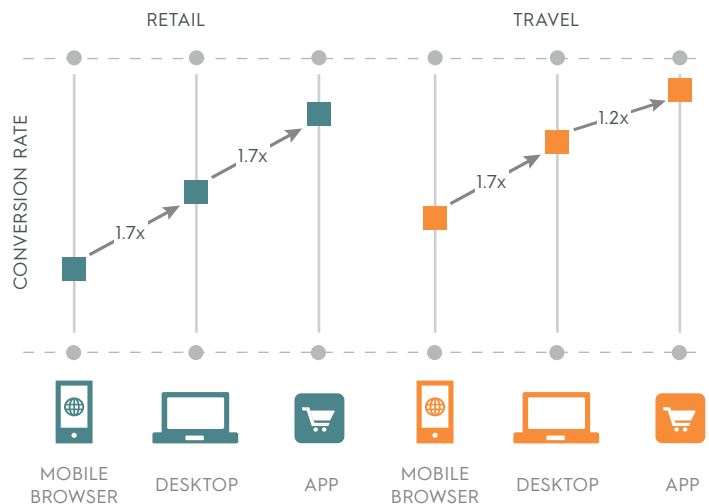
In retail, consumers using the app convert at a rate three times higher than those using a mobile browser.

With travel, the conversion rate for apps is almost two times that of mobile browser.

App vs. Mobile Browser Share of Mobile Transactions



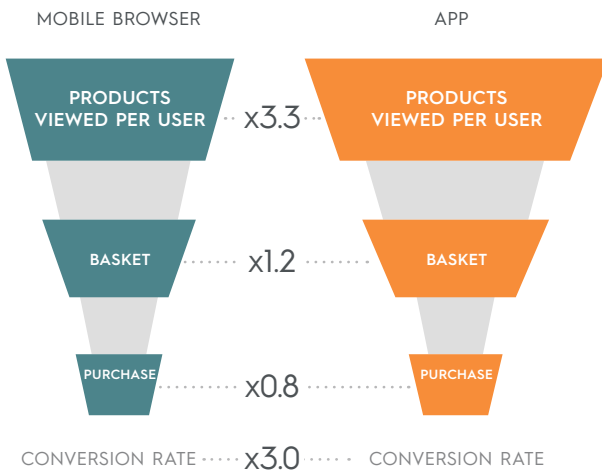
Mobile Retail Conversion Rates



* 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 Browser vs. App Funnel Metrics

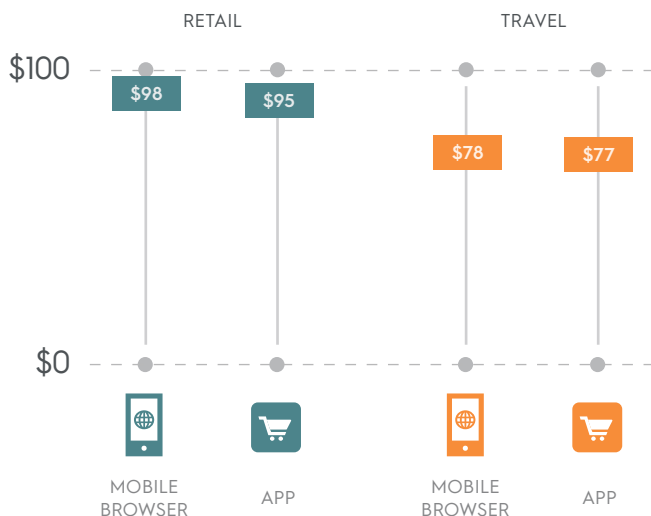


APPS DELIVER HIGHER CONVERSION RATES BECAUSE THEY PROVIDE A MUCH BETTER PRODUCT BROWSING EXPERIENCE

Shoppers view more than three times the number of products on apps than on mobile browsers because of a more engaging user experience.

As a result of seeing these products, many more are added to the basket. This results in apps having three times the conversion rate of mobile browsers.²

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



APP SPEND PER TRANSACTION IS THE SAME AS MOBILE BROWSER

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, indicating that 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.

² 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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#4 Cross-device usage is now enormous

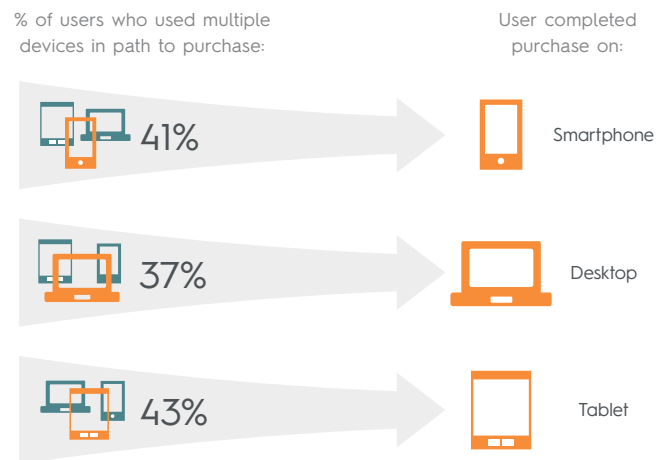
40% OF PURCHASES NOW INVOLVE MULTIPLE DEVICES PRIOR TO PURCHASE

Cross-device purchasing is huge. In 40% of purchases, consumers use multiple devices to visit the same retailer prior to purchase.

The trend is similar across all devices, where cross-device transactions are significant irrespective of the purchasing device.

This makes it critical to match users across devices. Otherwise, it's difficult to understand the ROI of paid marketing or deliver a seamless consumer experience.

U.S. Cross-Device Share of eCommerce Transactions



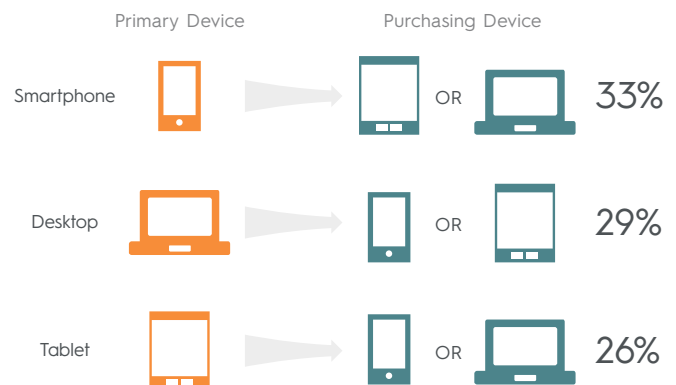
28% OF THE TIME USERS DO MOST OF THEIR DECISION MAKING ON ONE DEVICE AND THEN PURCHASE ON A SECOND DEVICE

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 research is done on a desktop, the purchase occurs on mobile 29% 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.

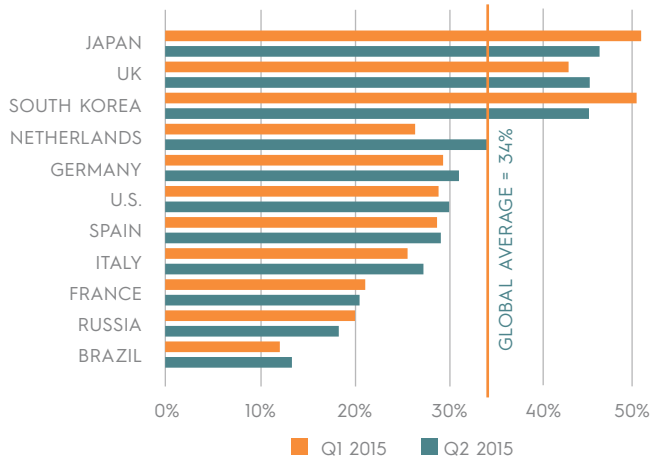
Share of U.S. eCommerce Transactions Occurring on a Secondary Device³



³ Where the consumer has more than one device. Data is based on Criteo's Universal Match product providing exact matches of users across multiple devices.

Global mobile commerce trends

Mobile Share of Retail eCommerce Transactions



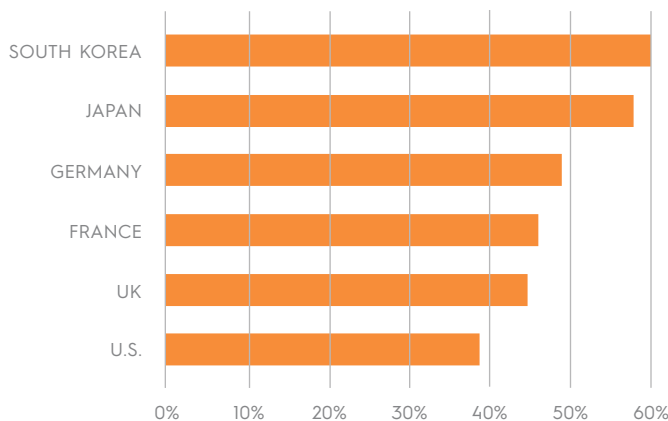
ASIA AND UK CONSUMERS CONTINUE TO BE THE MOBILE LEADERS GLOBALLY

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.

Cross-Device Share of Retail eCommerce Transactions*



WORLDWIDE, CONSUMERS ARE USING MORE THAN ONE DEVICE BEFORE THEY PURCHASE

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.

Global mobile commerce trends

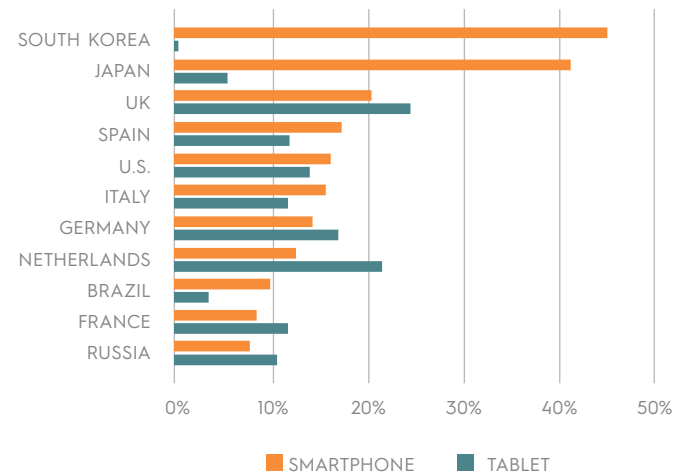
THE SMARTPHONE IS THE DOMINANT DEVICE WORLDWIDE

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.

Smartphone and Tablet Share of Retail eCommerce Transactions

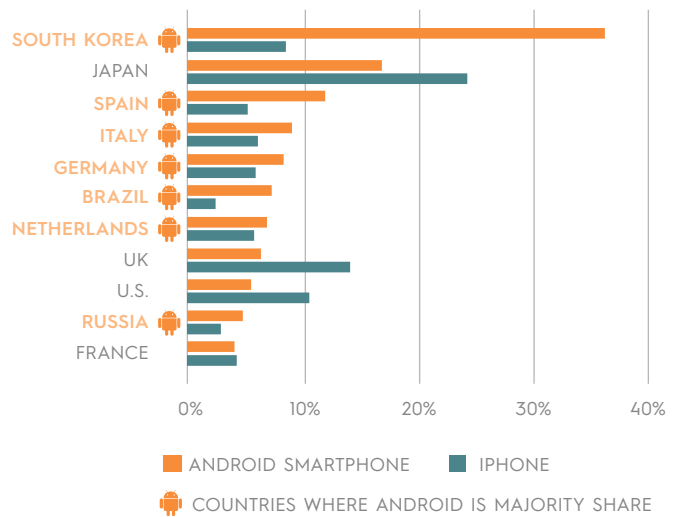


ANDROID SMARTPHONE IS BIGGER THAN THE IPHONE IN MANY COUNTRIES

Android delivers a significant share of smartphone transactions across the globe, greater than iPhone in most countries.

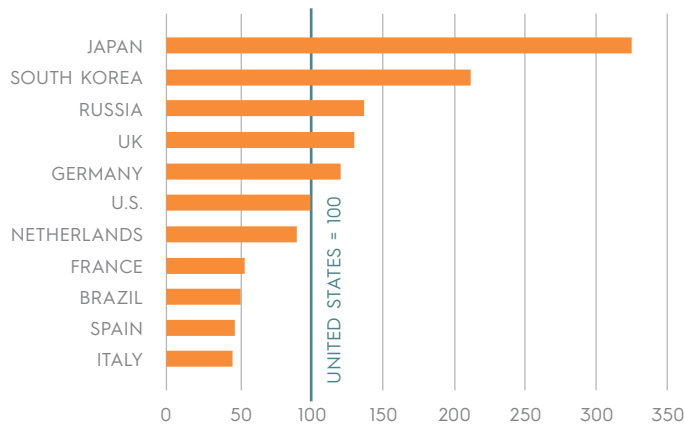
Share of transactions from iPhone is significantly higher than Android only in the U.S., UK and Japan.

Android Smartphone and iPhone Share of Retail eCommerce Transactions



Global mobile commerce trends

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



UK LEADS THE WEST IN CONVERSION RATES, BUT STILL BEHIND ASIA

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.

What will the future look like?

We see four big trends:



Growth in mCommerce is unstoppable. By year-end, mobile share of eCommerce transactions is forecast to reach 33% in the U.S. and 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, EMEA and Asia-Pacific, serving over 7,800 advertisers worldwide and with direct relationships with over 10,000 publishers.

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

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