



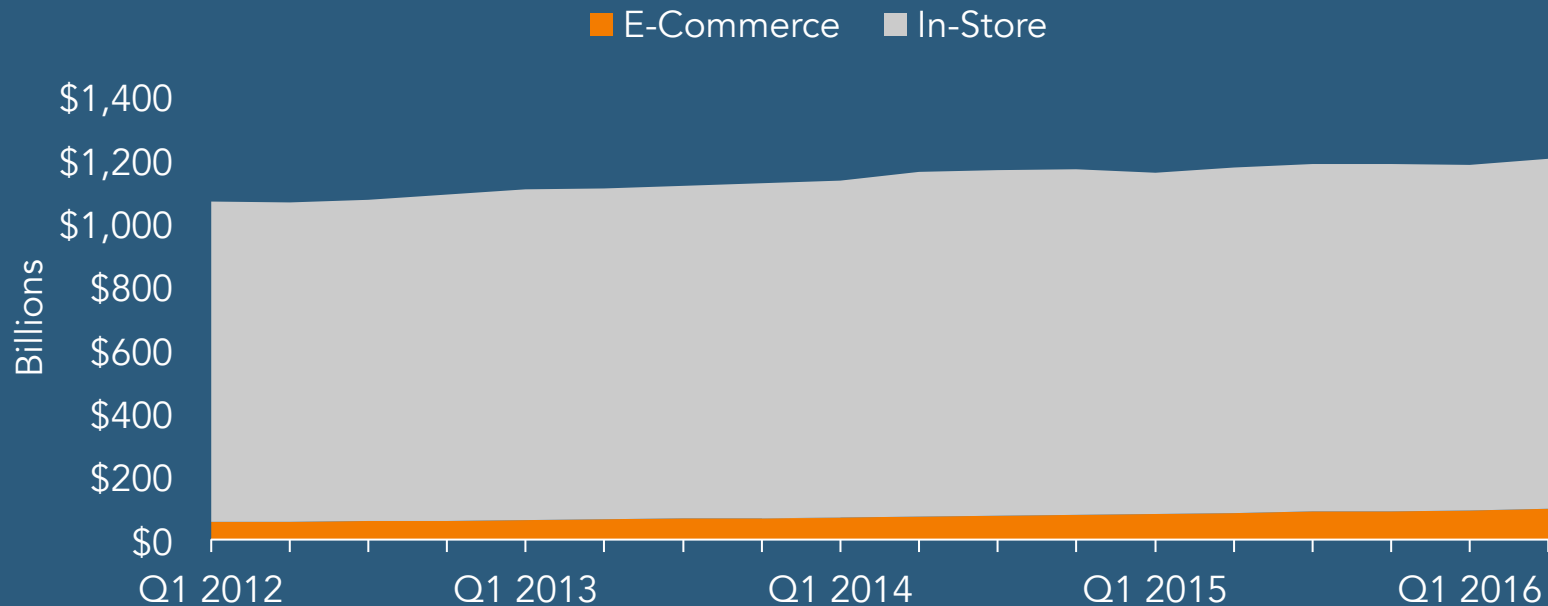
THE FUTURE OF RETAIL 2016

BI INTELLIGENCE

Providing in-depth insight, data, and analysis of everything digital.

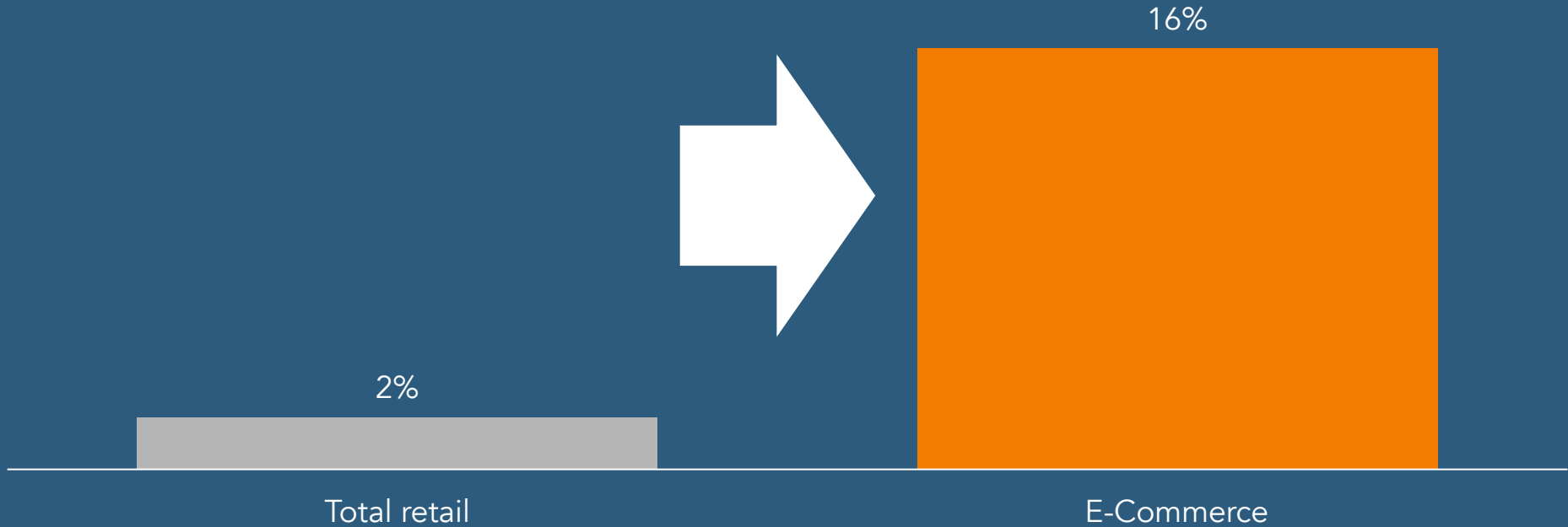
EVEN THOUGH E-COMMERCE MAY NOT SEEM LIKE MUCH COMPARED TO IN-STORE RETAIL...

Overall US Retail Sales



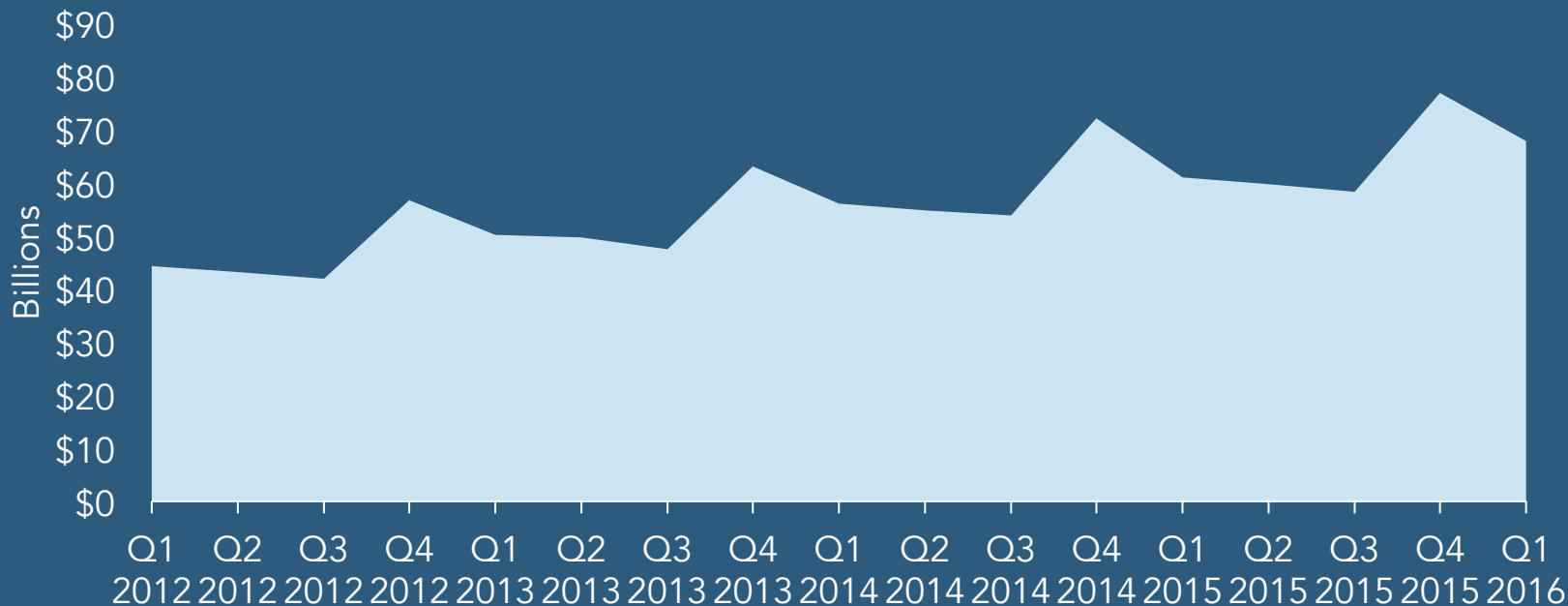
NEARLY ALL GROWTH NOW COMES FROM ONLINE SALES

US Retail Average Growth Rate During 1H 2016



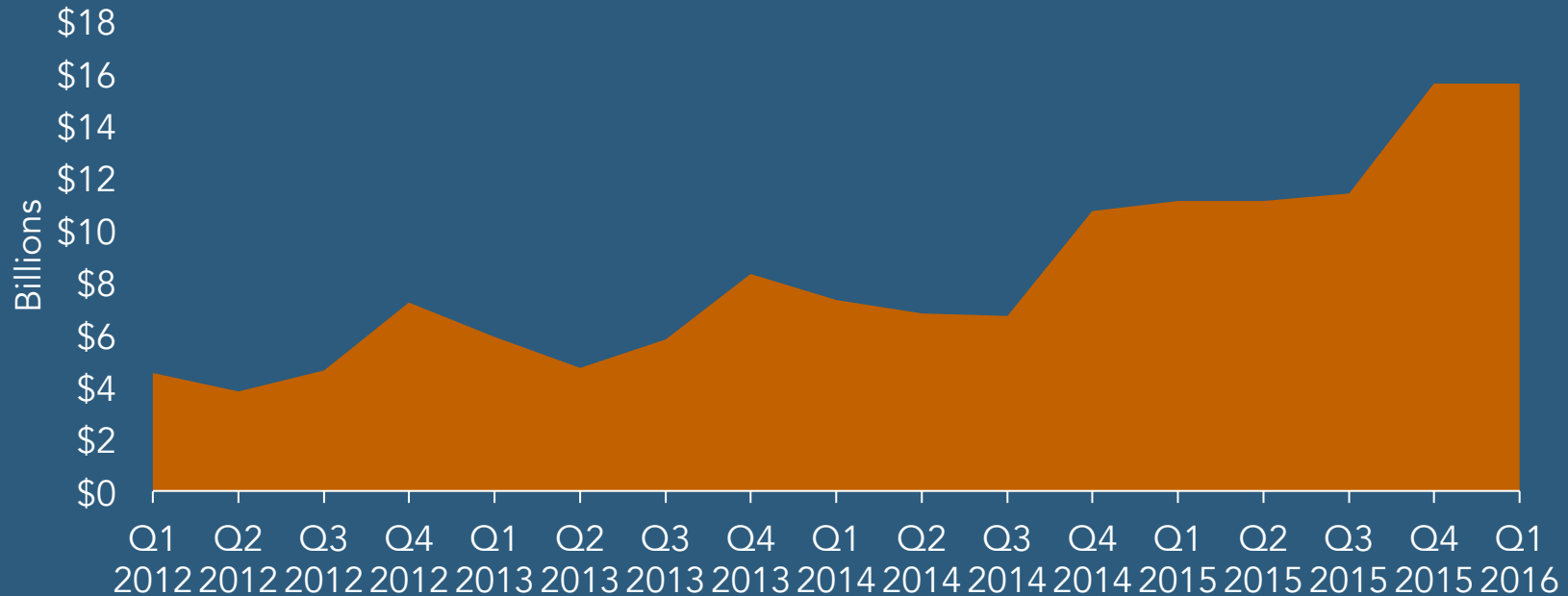
AND WHILE PURCHASES MADE ON DESKTOP REMAIN STRONG AND STEADY...

US E-Commerce Sales On Desktop



...IT'S MOBILE COMMERCE THAT'S TAKING OFF

US E-Commerce Sales On Mobile

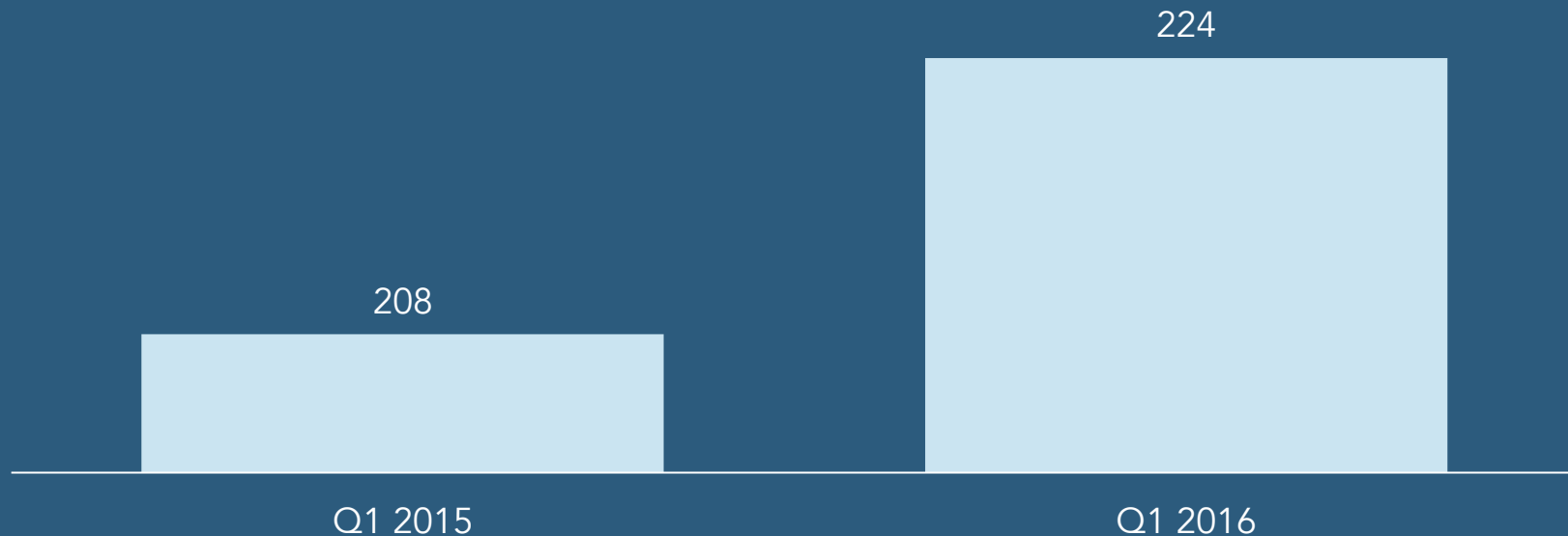


SO WHAT'S DRIVING THIS GROWTH?



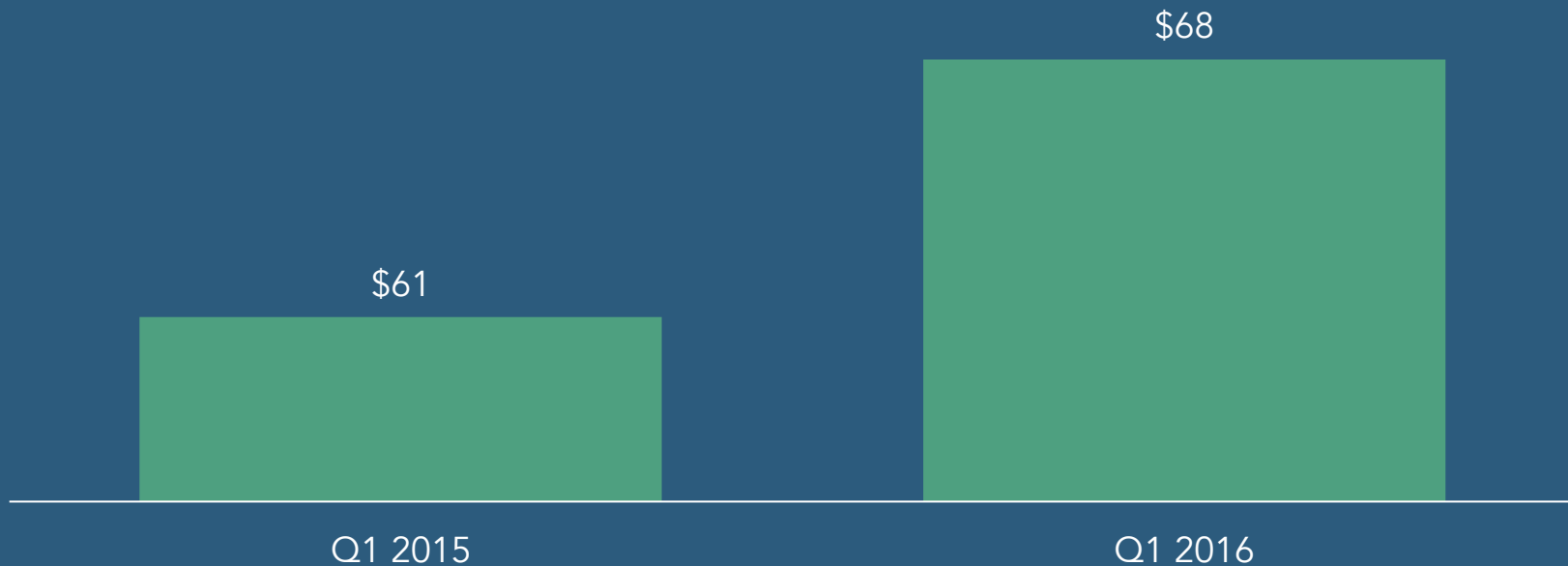
CONSUMERS ARE GOING DIGITAL — THE NUMBER OF ONLINE SHOPPERS HAS GROWN NEARLY 20 MILLION SINCE 2015

Number Of US Online Shoppers *In millions*



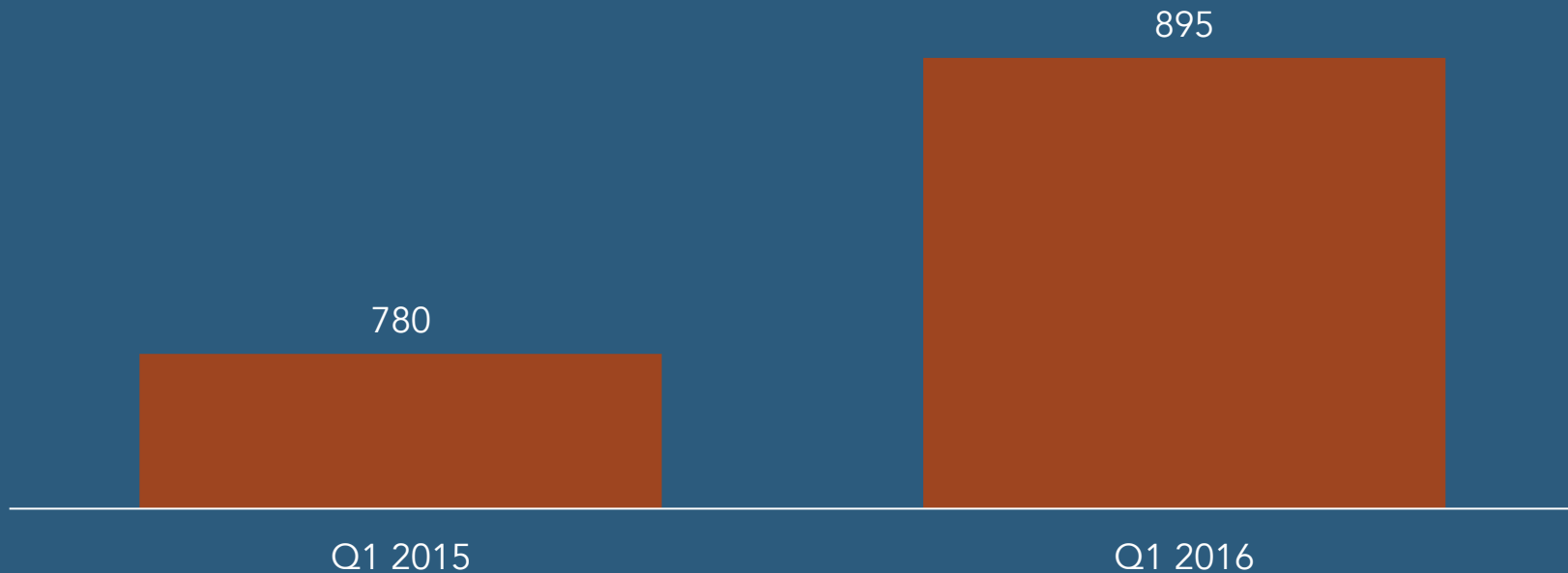
AND THEY'RE SPENDING MORE — THE AMOUNT OF MONEY SPENT ONLINE GREW BY \$7 BILLION

Online Spending By US Consumers *In billions*



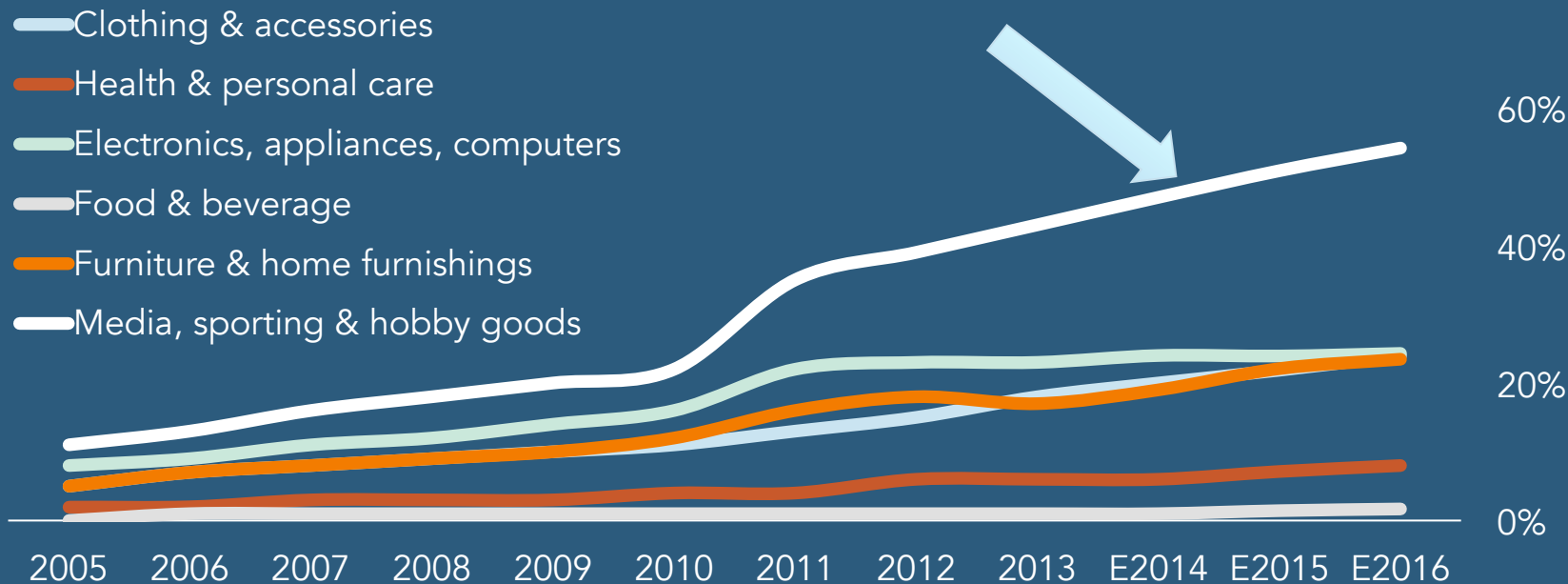
CONSUMERS ARE ALSO SHOPPING ONLINE MORE OFTEN — THE NUMBER OF ONLINE TRANSACTIONS HAS INCREASED BY 115 MILLION SINCE 2015

US Online Transactions *In millions*



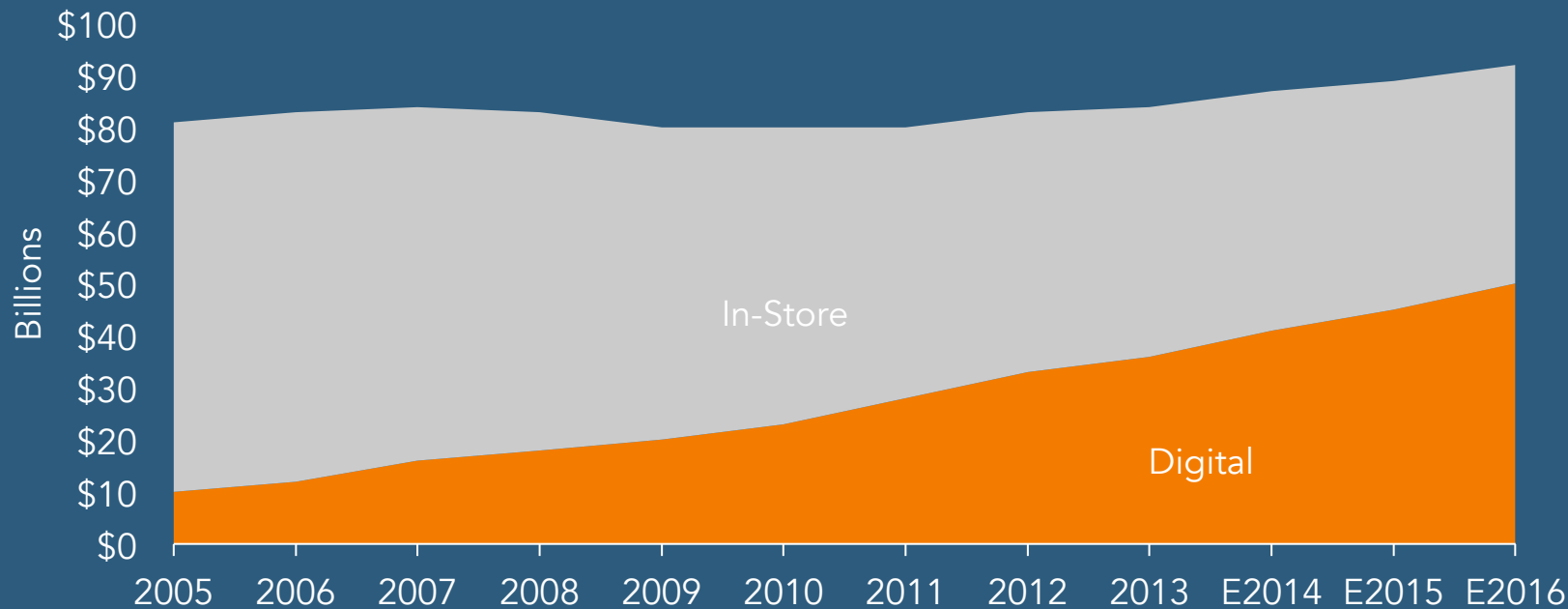
MEDIA, SPORTING & HOBBY GOODS ARE LEADING THE WAY IN THE SHIFT TO DIGITAL

Digital's Share Of US Retail Sales



OVER HALF OF THESE SALES WILL OCCUR ONLINE IN 2016

US Sales Of Media, Sporting & Hobby Goods



THAT MEANS RETAILERS NEED TO GO ALL IN ON DIGITAL

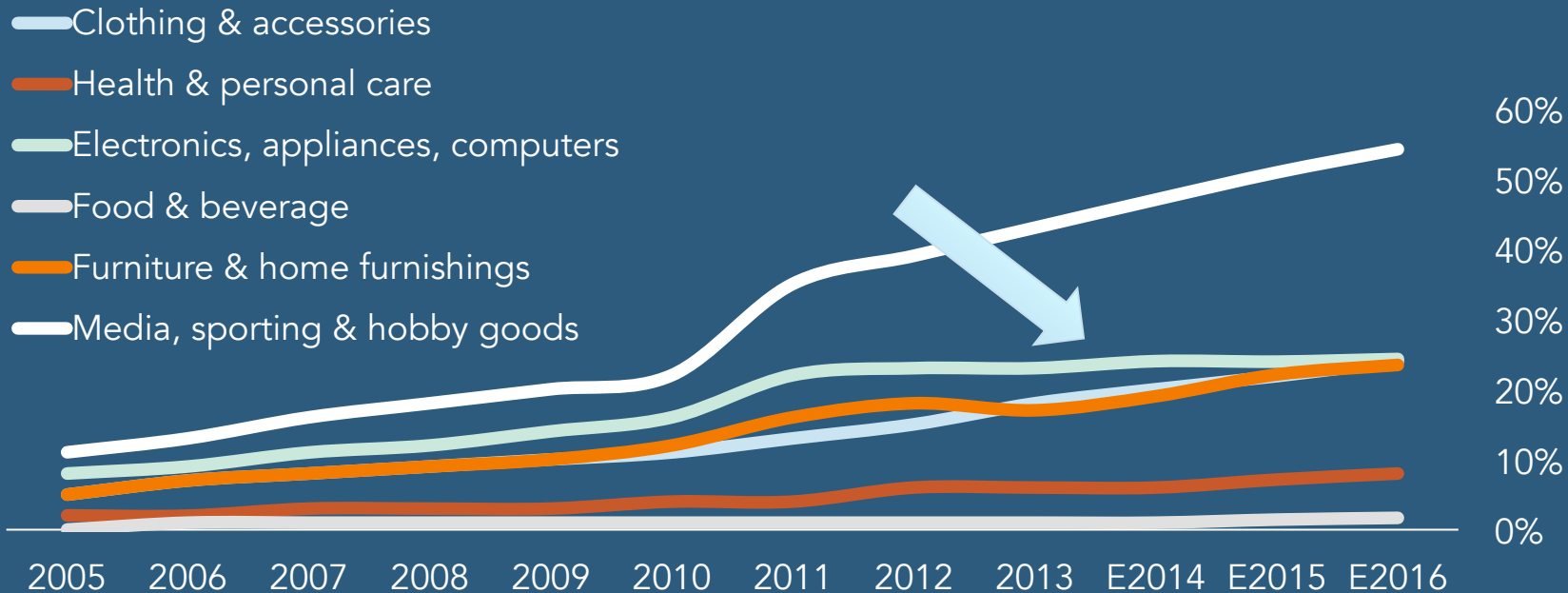


THE STAKES ARE HIGH: THE SPORTS AUTHORITY COULDN'T KEEP UP AND FILED FOR BANKRUPTCY IN APRIL



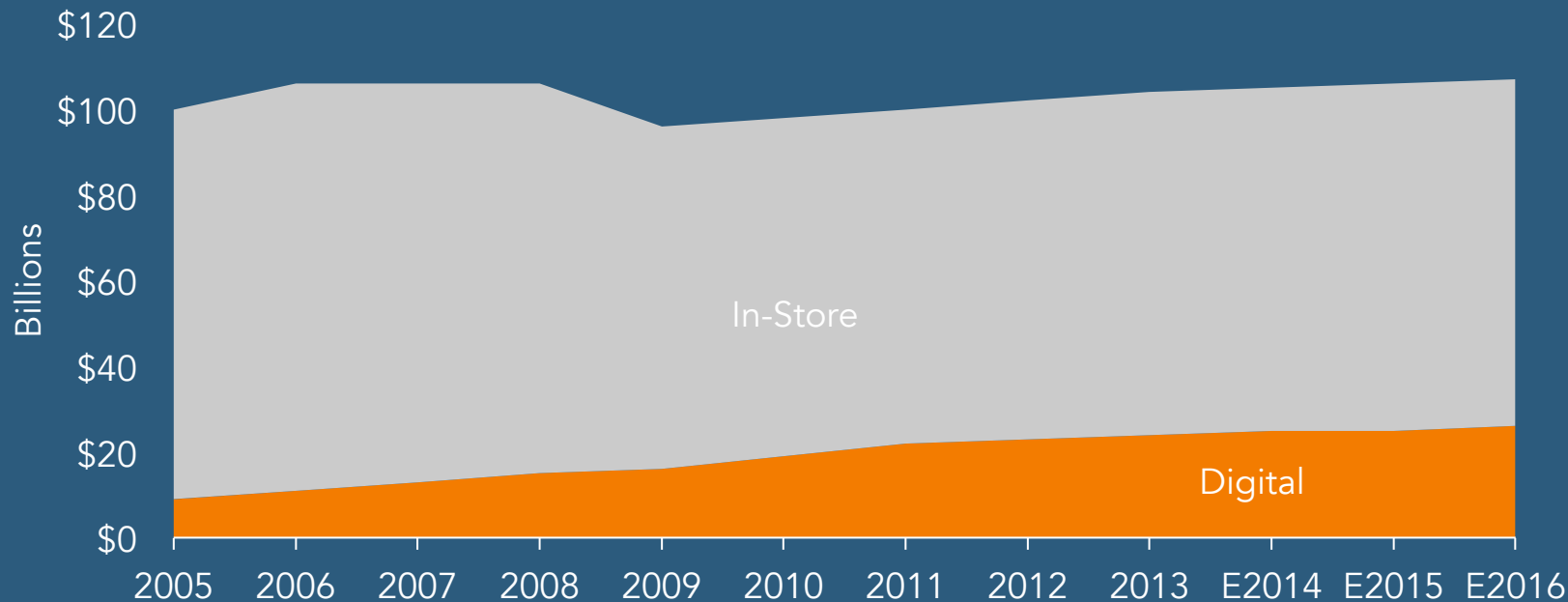
ELECTRONICS HAS REMAINED STEADY

Digital's Share Of US Retail Sales



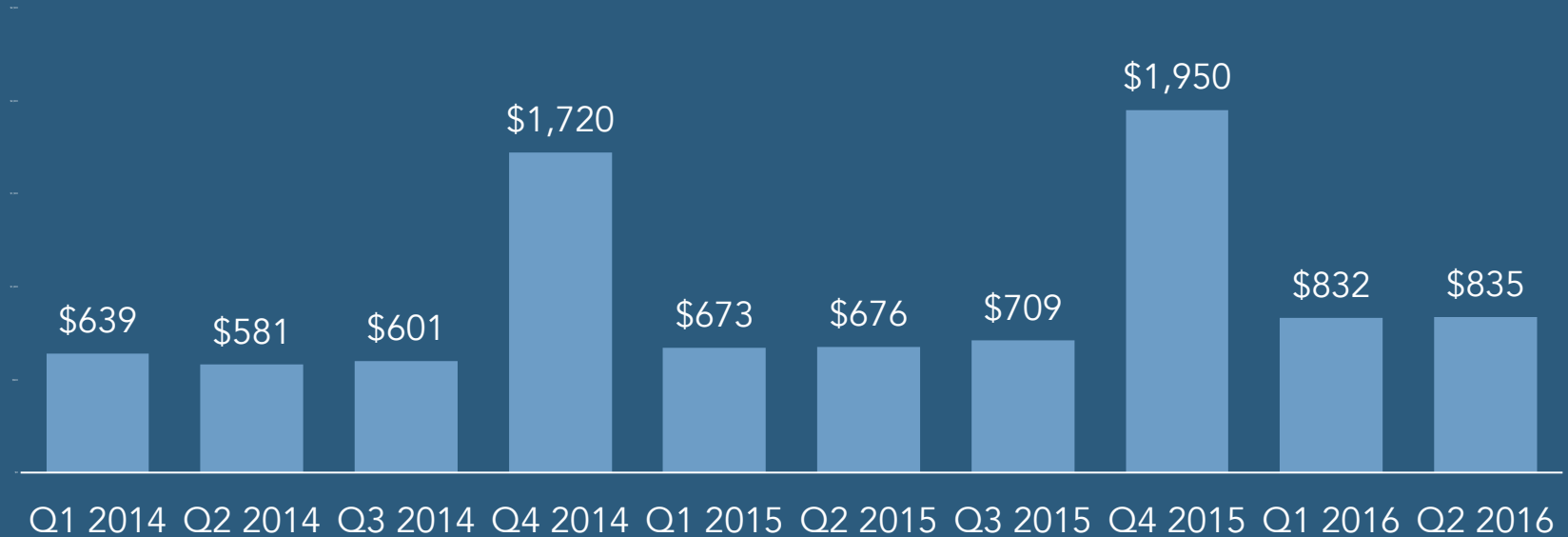
NEARLY ONE IN FOUR ELECTRONICS PURCHASES HAVE BEEN MADE ONLINE EACH YEAR SINCE 2014

US Sales Of Electronics & Appliances



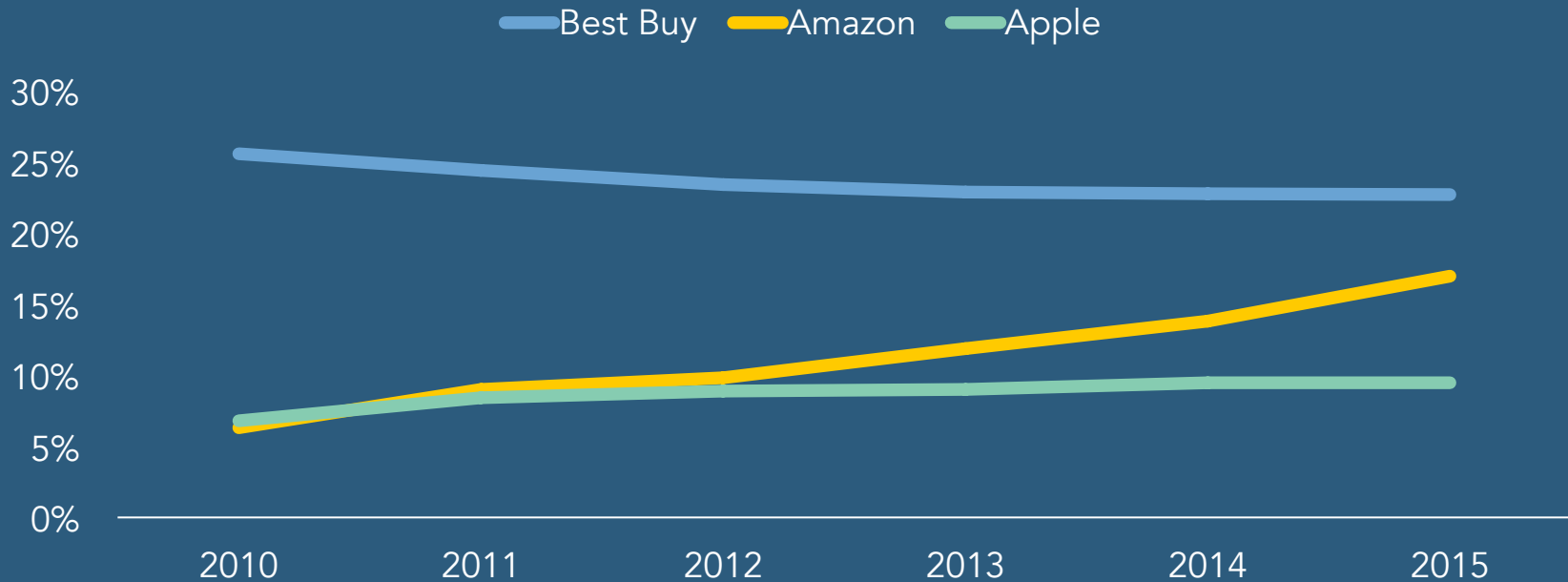
BEST BUY HAS BEEN CAPITALIZING ON THIS...

Best Buy E-Commerce Sales *In millions*



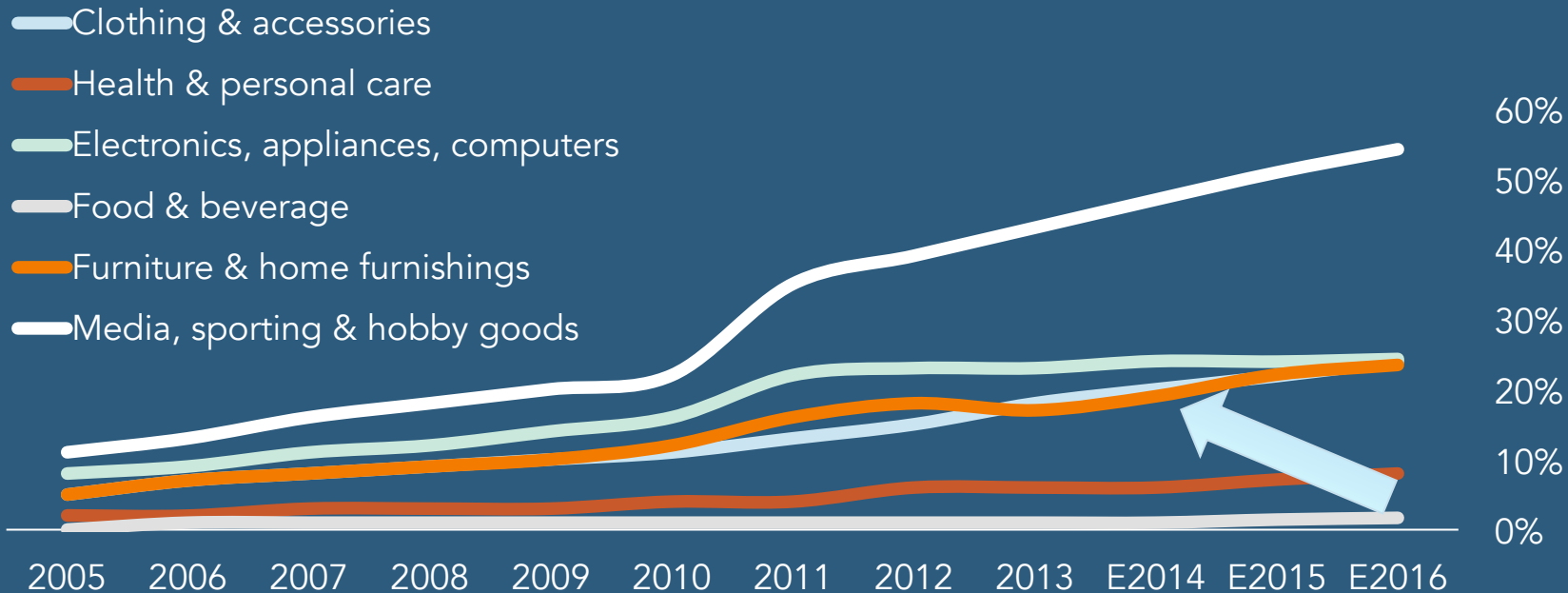
...BUT AMAZON IS CHALLENGING BEST BUY'S DOMINANCE

US Consumer Electronics Market Share, By Retailer



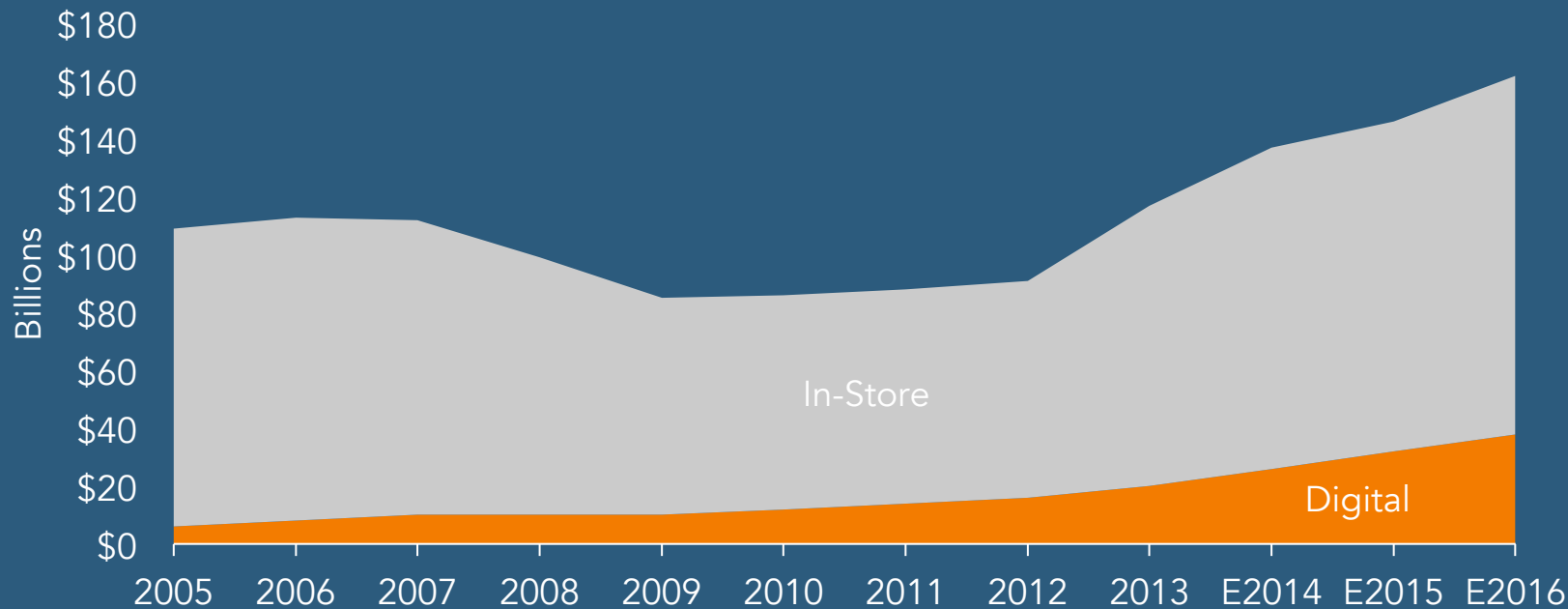
DESPITE LOGISTICAL BARRIERS, CONSUMERS ARE ALSO INTERESTED IN BUYING FURNITURE ONLINE

Digital's Share Of US Retail Sales



ONLINE FURNITURE SALES ARE RAPIDLY APPROACHING A QUARTER OF THE TOTAL MARKET

US Sales Of Furniture

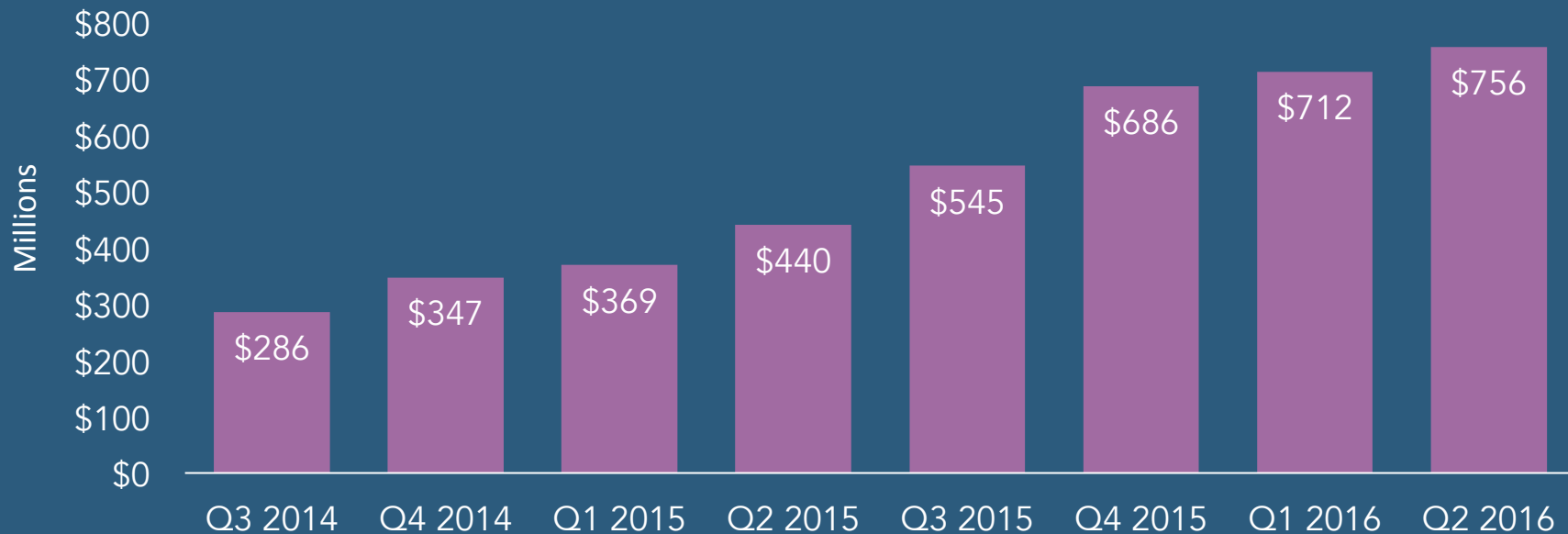


WAYFAIR LAUNCHED AN AR APP CALLED WAYFAIRVIEW THAT LETS SHOPPERS SEE HOW FURNITURE WOULD LOOK IN THEIR HOME



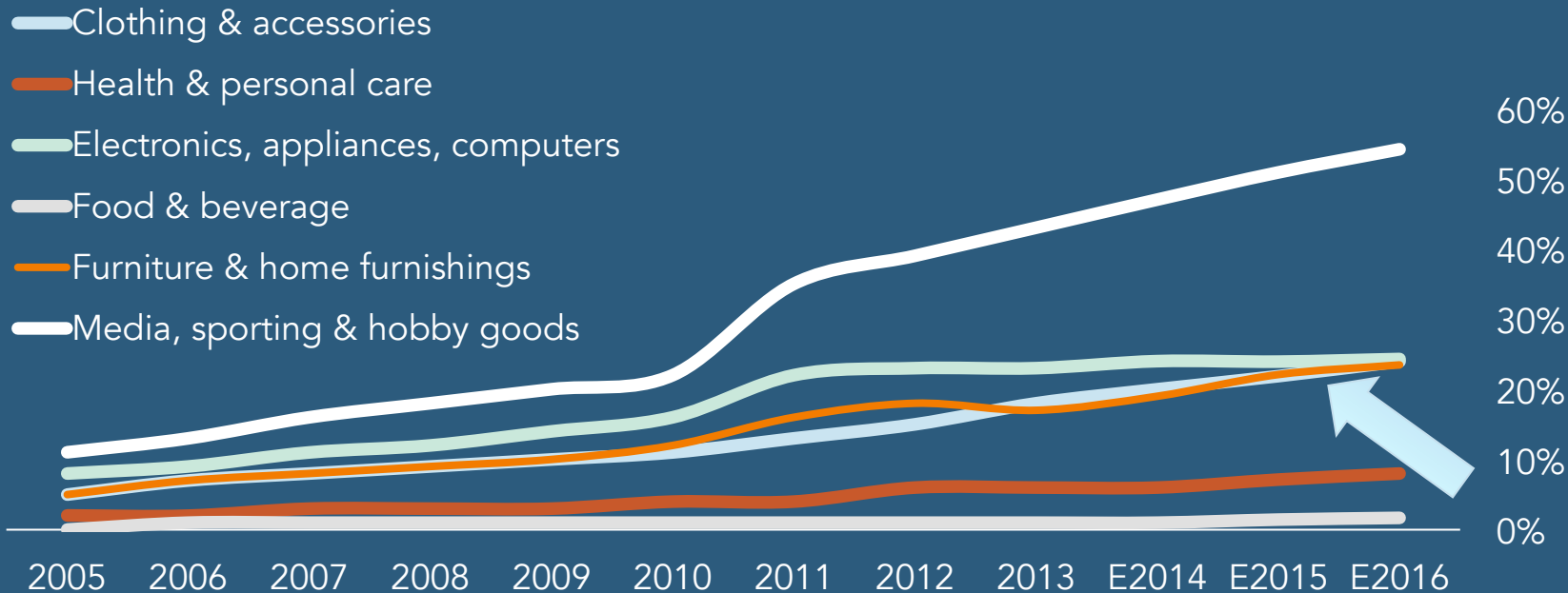
MOVES LIKE THIS MAY HELP WAYFAIR KEEP UP ITS RAPID GROWTH — SALES HAVE MORE THAN DOUBLED IN TWO YEARS

Wayfair E-Commerce Retail Revenue Growth



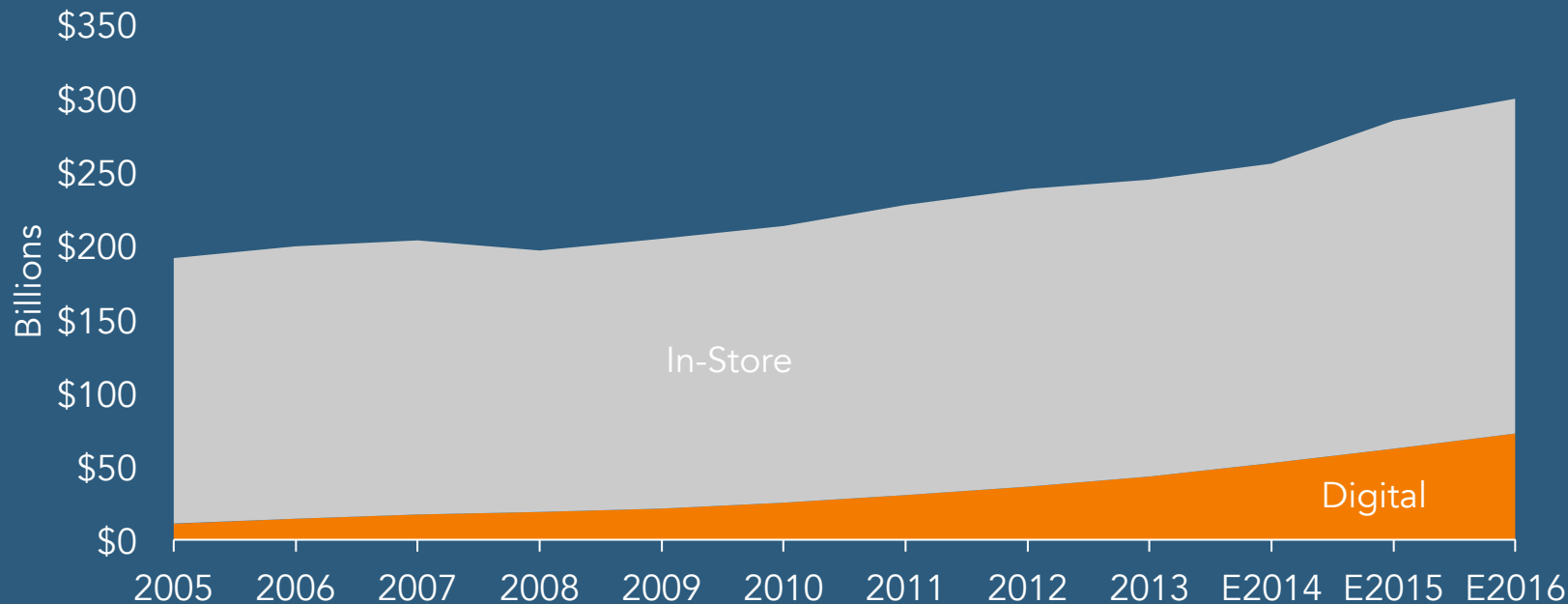
ALTHOUGH APPAREL AND ACCESSORIES ARE SLOWER IN THE SHIFT TO DIGITAL...

Digital's Share Of US Retail Sales



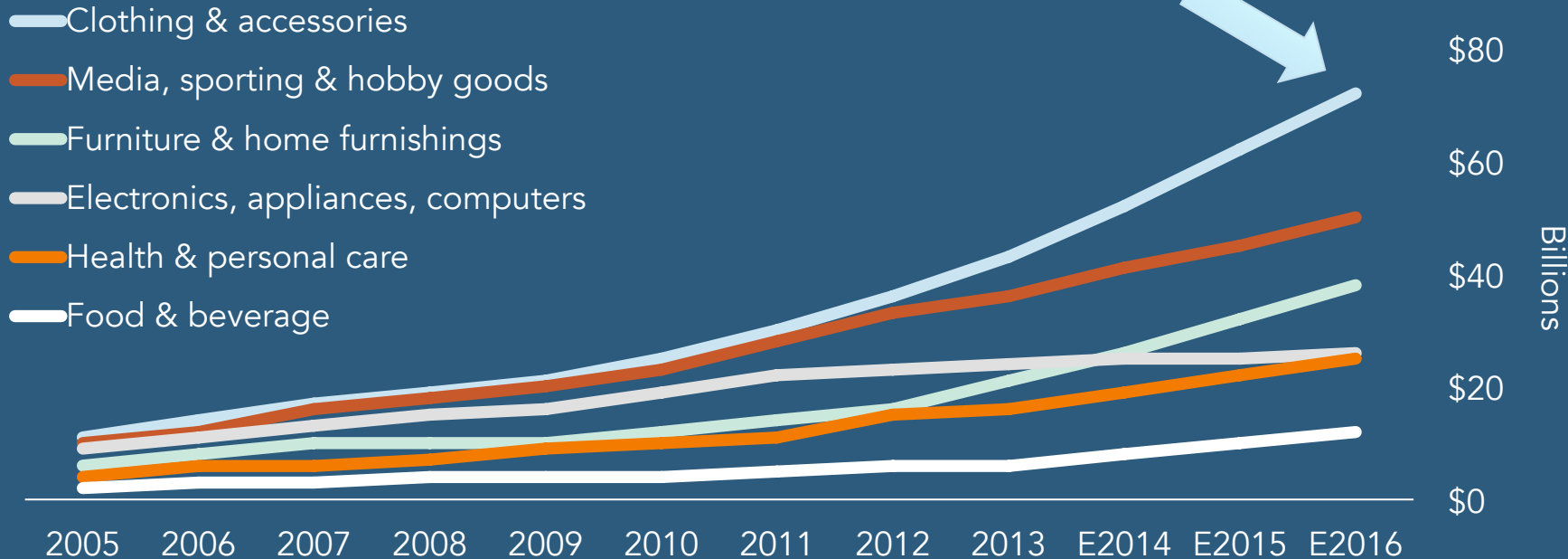
ONE QUARTER OF PURCHASES OCCUR ONLINE

US Sales Of Apparel



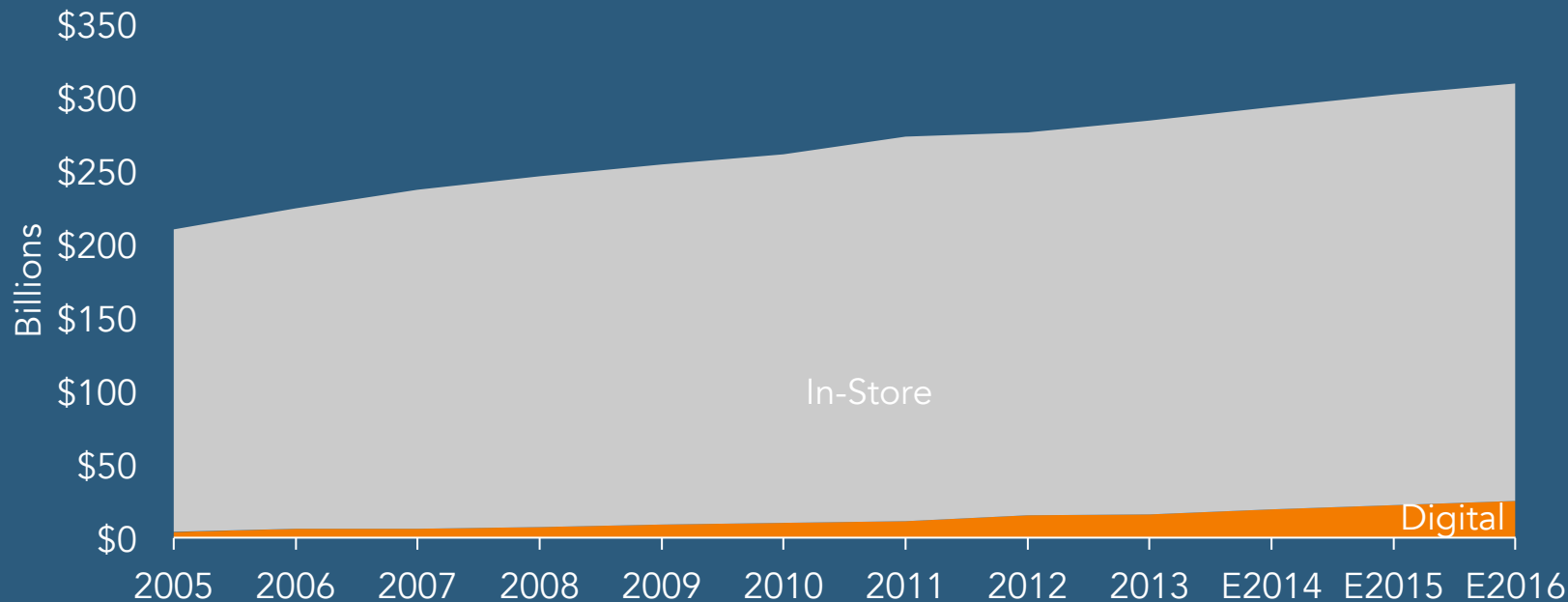
ACCOUNTING FOR NEARLY \$80 BILLION IN ONLINE SALES

US E-Commerce Sales, By Category



E-COMMERCE WILL ACCOUNT FOR 8% OF ALL HEALTH AND PERSONAL CARE ITEMS SOLD THIS YEAR

US Sales Of Health & Personal Care Products



**AND SUBSCRIPTION SERVICES ARE CAPITALIZING ON CONSUMERS'
NEED TO STOCK UP ON THESE PRODUCTS**



BUYING THESE FREQUENTLY PURCHASED ITEMS ONLINE ELIMINATES IN-STORE FRUSTRATIONS

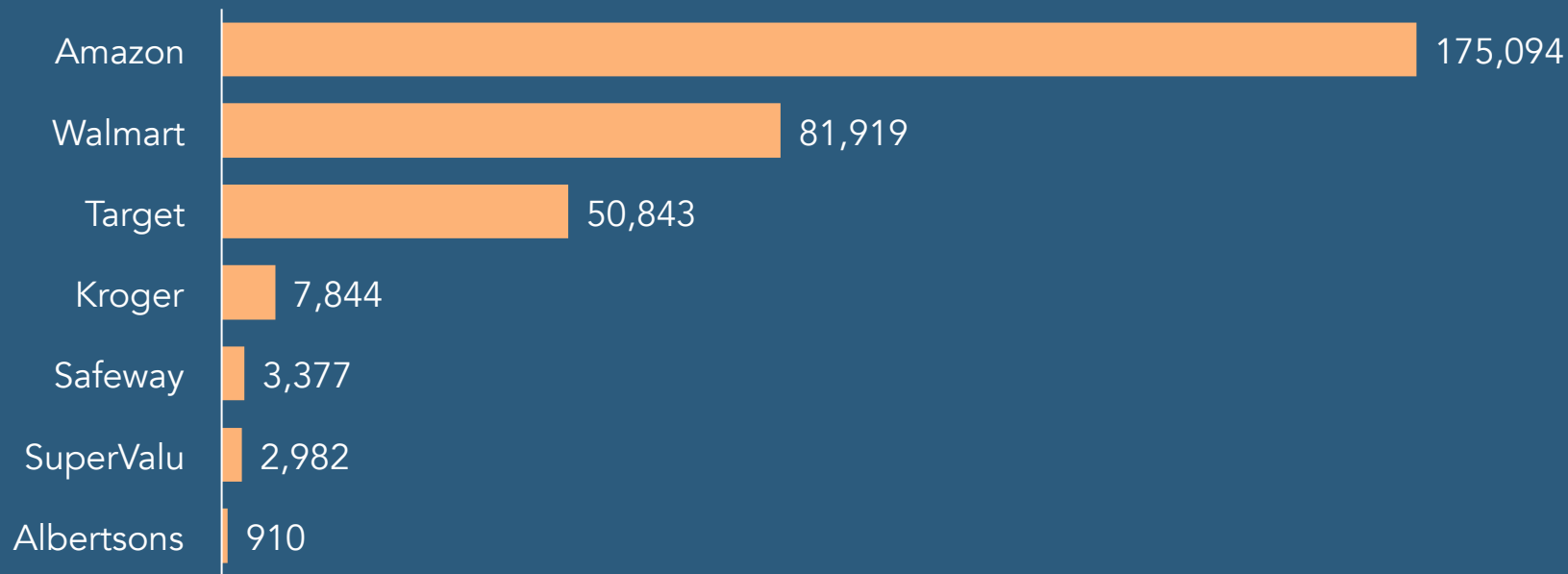


**IN JULY 2016, SUBSCRIPTION-BASED COMPANY DOLLAR SHAVE CLUB
WAS ACQUIRED BY UNILEVER FOR \$1 BILLION**



AMAZON IS THE MOST POPULAR E-COMMERCE DESTINATION FOR EVERYDAY GOODS LIKE HEALTH AND BEAUTY PRODUCTS

Monthly US Visitors To Online CPG Shopping Destinations *In thousands, 2015*



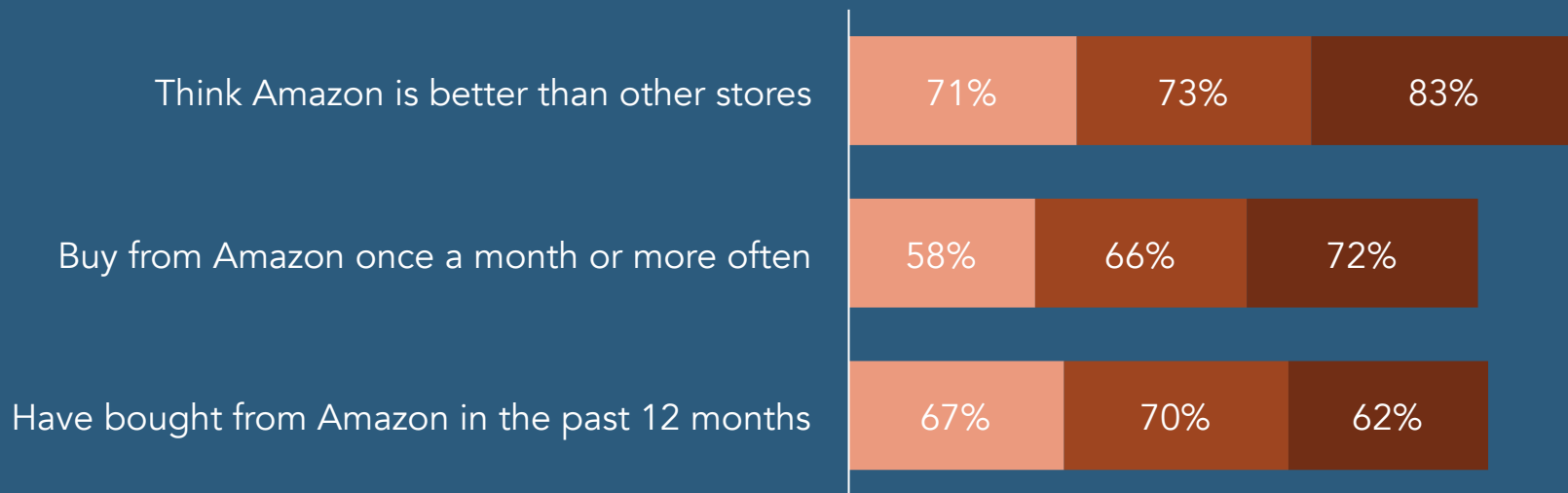
AND HIGH-END CONSUMERS ARE FLOCKING TO THE E-COMMERCE GIANT IN GREATER NUMBERS

Affluent US Consumer Behavior On Amazon 2015

■ Affluent consumers (HHI \$75,000+)

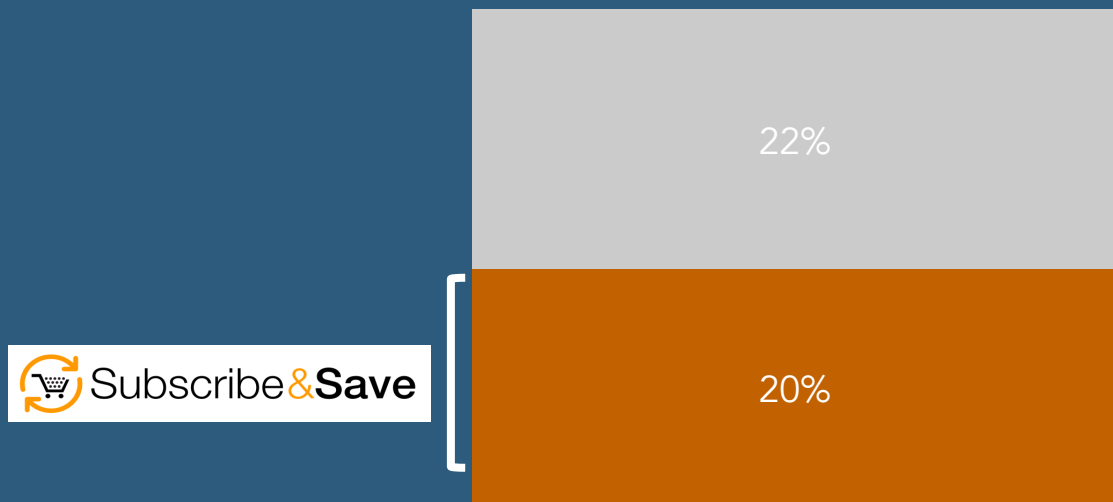
■ Upper affluent consumers (HHI \$250,000+)

■ Top 1% consumers (HHI \$500,000+)



AMAZON'S RECCURRING ORDER CAPABILITIES ARE POPULAR

Amazon Subscribe & Save Growth As Part Of Total CPG E-Commerce Year-Over-Year Sales Growth 2015



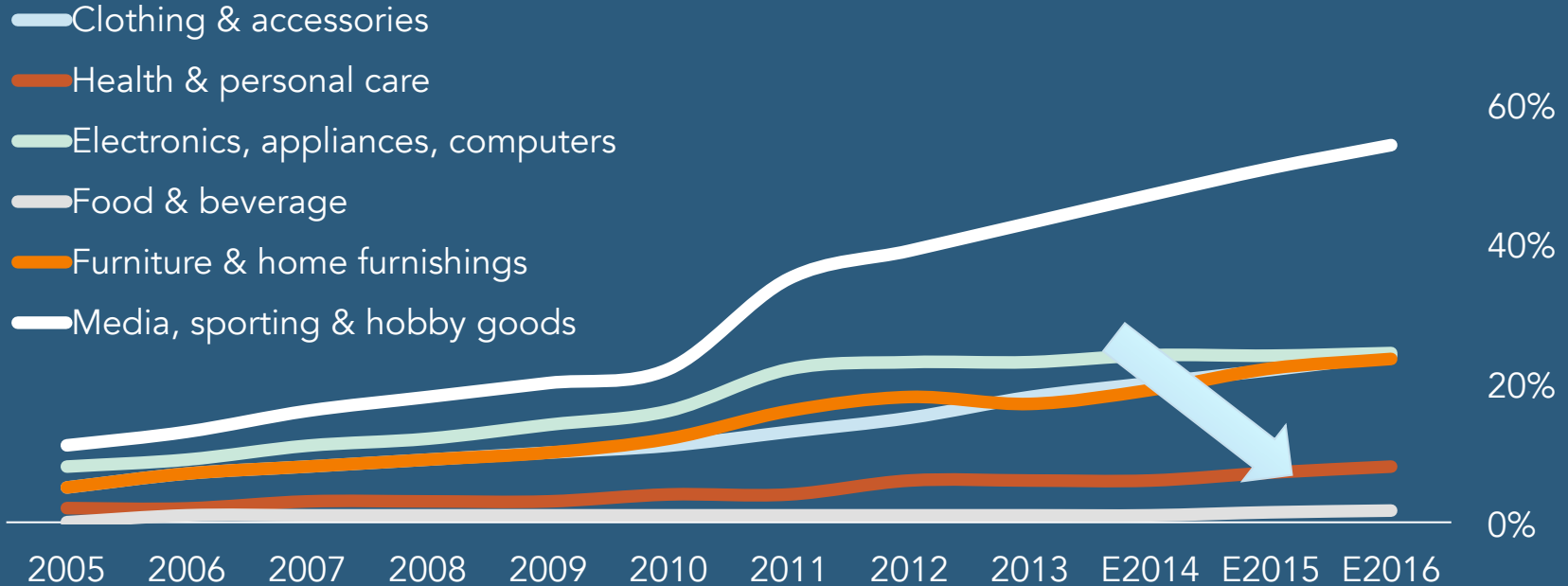
YoY growth

AND AMAZON'S 2015 LAUNCH OF THE DASH BUTTON MADE REORDERING HOUSEHOLD GOODS AS EASY AS... PUSHING A BUTTON



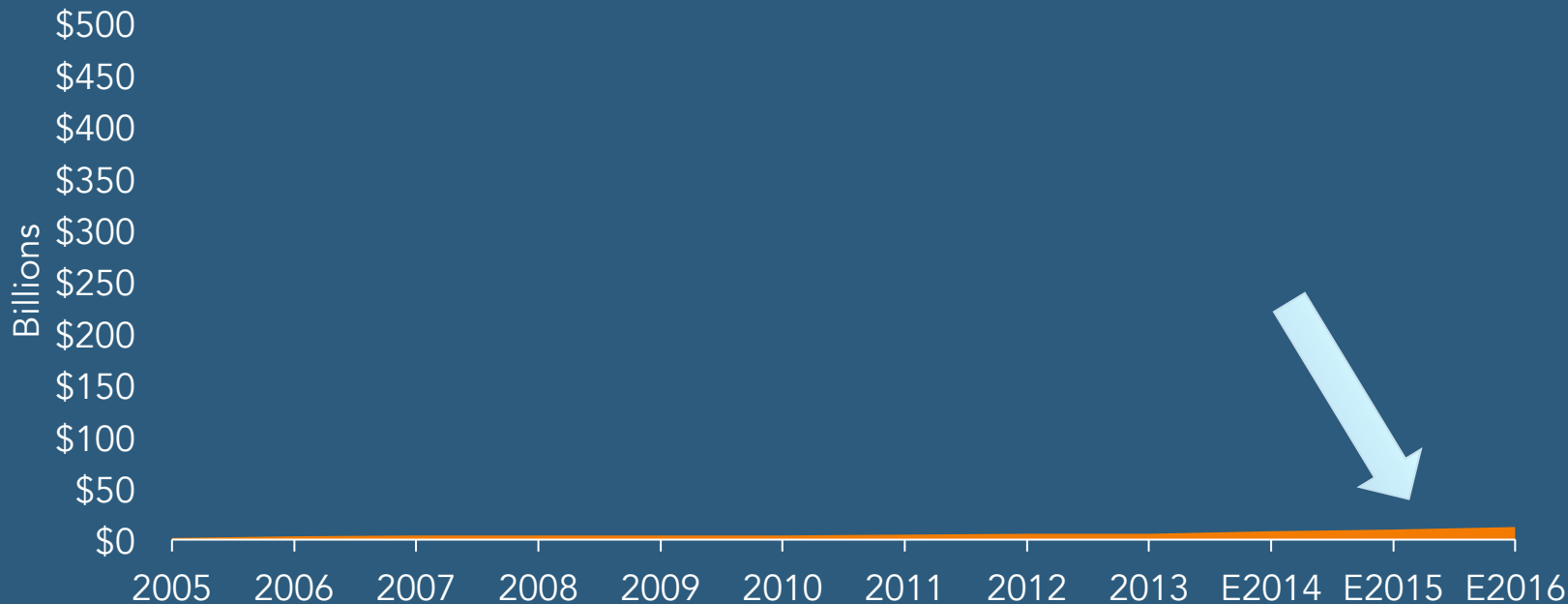
BUT GROCERIES ARE THE BIGGEST OPPORTUNITY IN E-COMMERCE

Digital's Share Of US Retail Sales



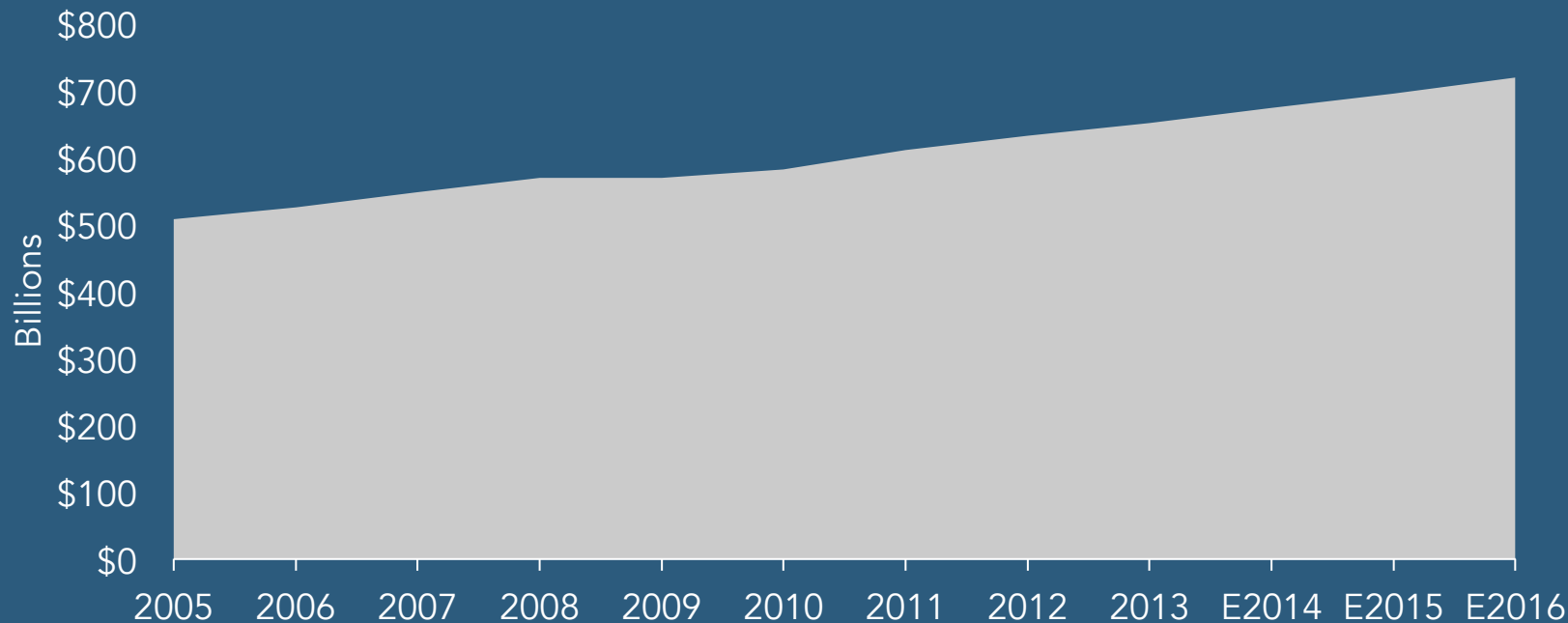
EVEN THOUGH ONLY 2% OF ALL GROCERY SALES WILL TAKE PLACE ONLINE...

US Grocery E-Commerce Sales



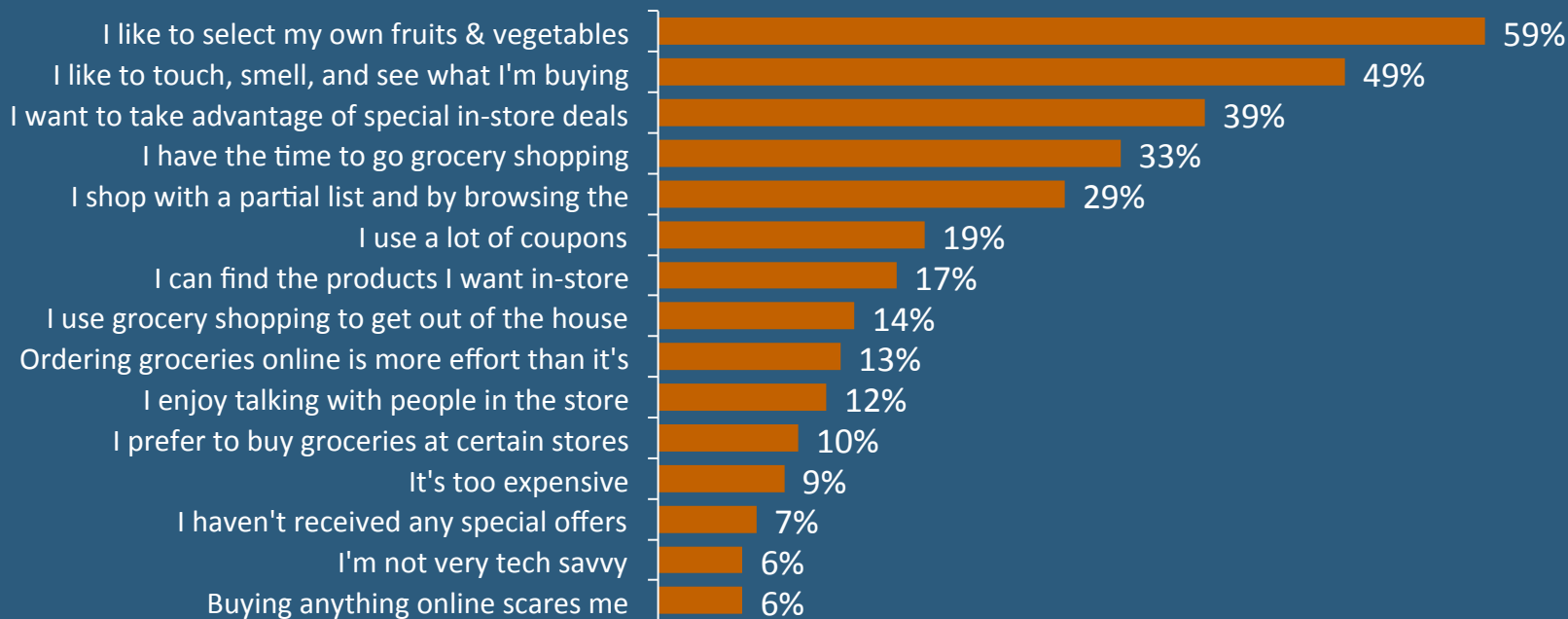
AMERICANS WILL SPEND OVER \$700 BILLION TOTAL ON GROCERIES IN 2016

Total US Sales Of Grocery



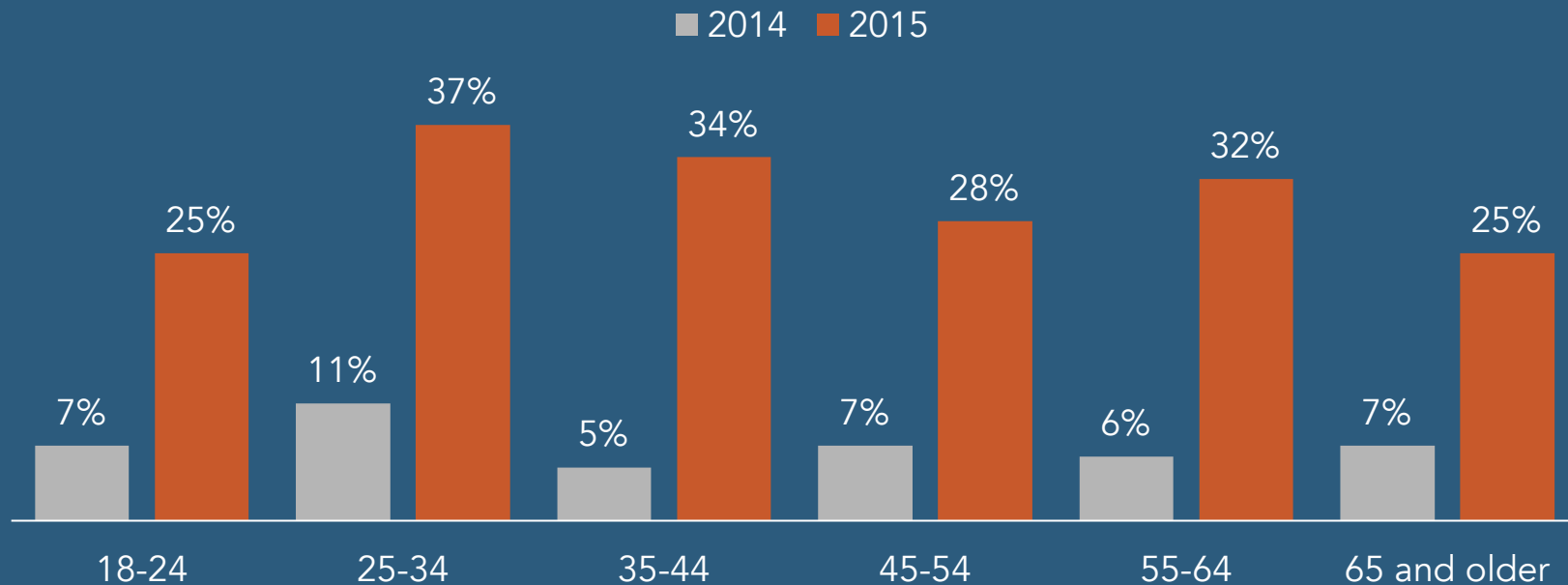
DESPITE CONSUMER CONCERNS OVER BUYING PERISHABLES ONLINE...

SURVEY: Why Don't You Shop Online For Groceries? *US, 2015*



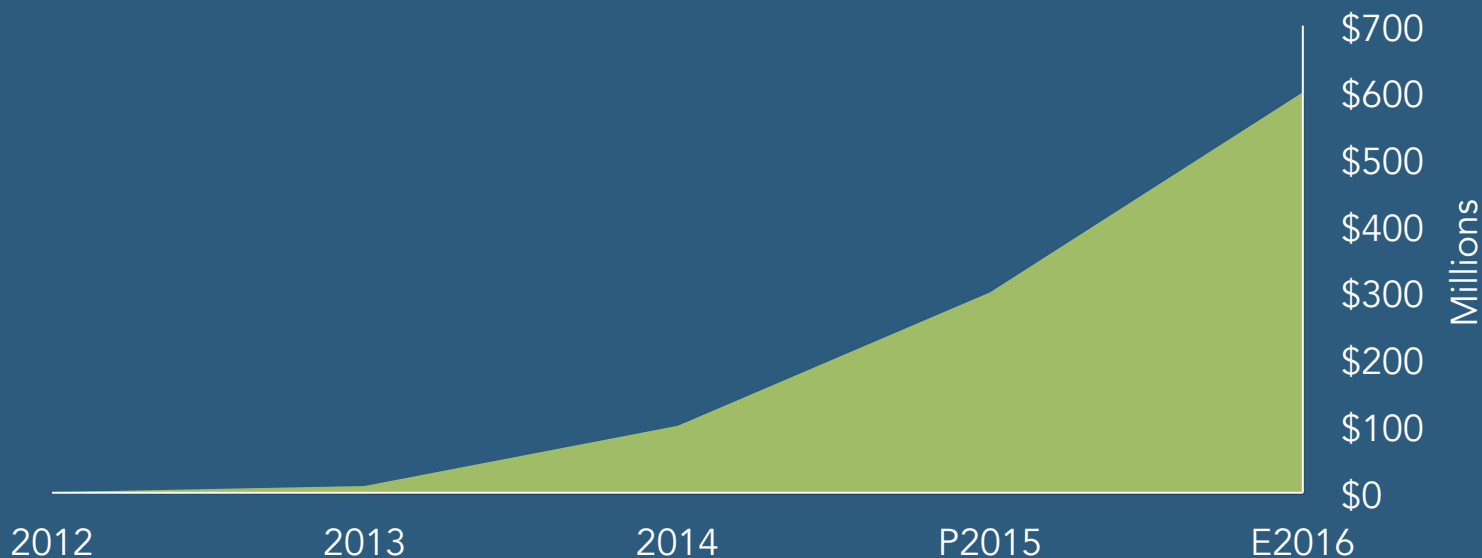
CONSUMERS OF ALL AGES HAVE SHOWN INTEREST

US Shoppers That Have Bought Groceries Online



INSTACART WILL PROCESS \$600 MILLION IN ONLINE ORDERS IN 2016

Instacart Annual Sales Handled

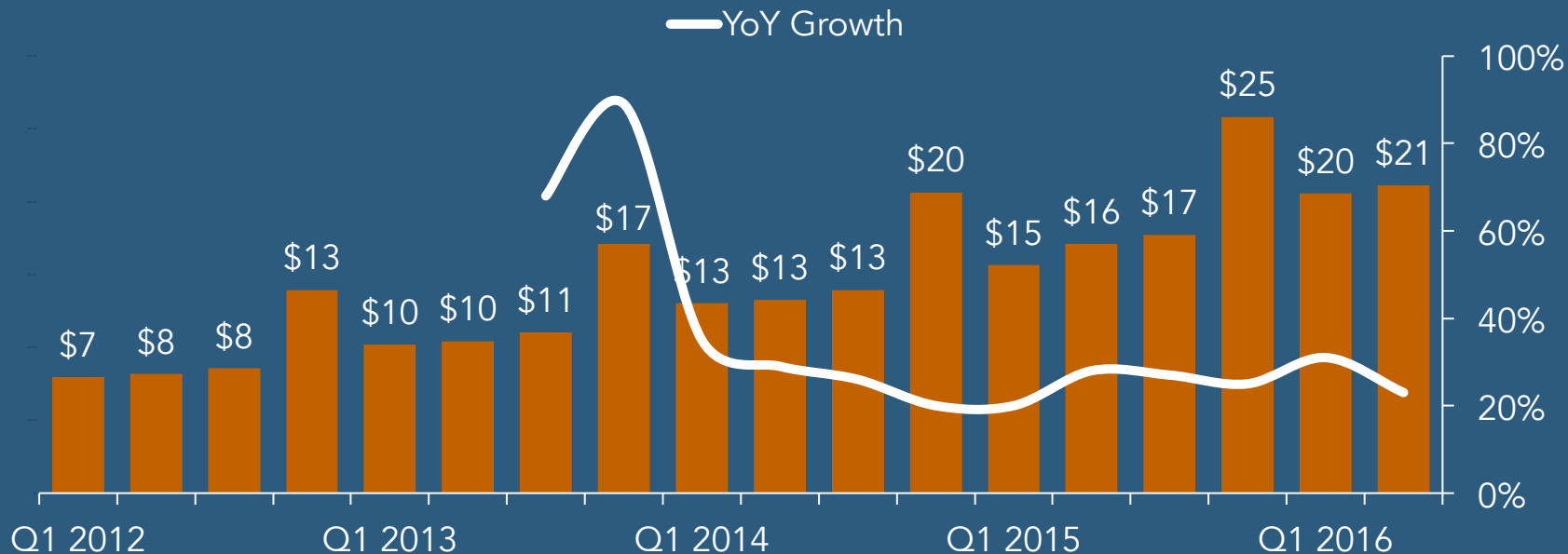


NOW LET'S SEE HOW E-COMMERCE MASS MERCHANTS ARE PERFORMING — THE RETAILERS THAT SELL ALL OF THESE PRODUCTS



AMAZON HAS BEEN THE BIGGEST BENEFICIARY OF E-COMMERCE'S GROWTH

Amazon Global Retail Revenue *In billions (\$)*



AND DESPITE A SLOWDOWN IN GROWTH, EBAY'S GROSS MERCHANDISE VOLUME HAS REMAINED FAIRLY STEADY

eBay Global Gross Merchandise Volume *In billions (\$); Ex-auto*

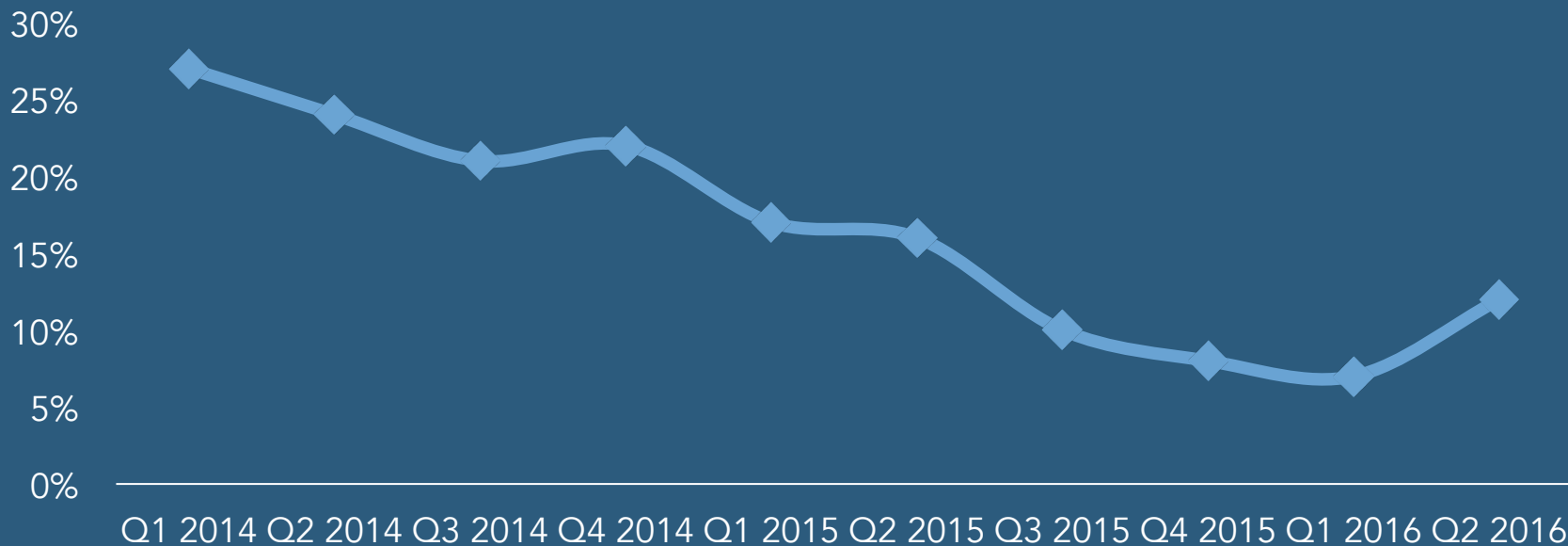


BUT LEGACY BIG-BOX RETAILERS ARE STILL STRUGGLING TO SUCCESSFULLY SHIFT TO DIGITAL



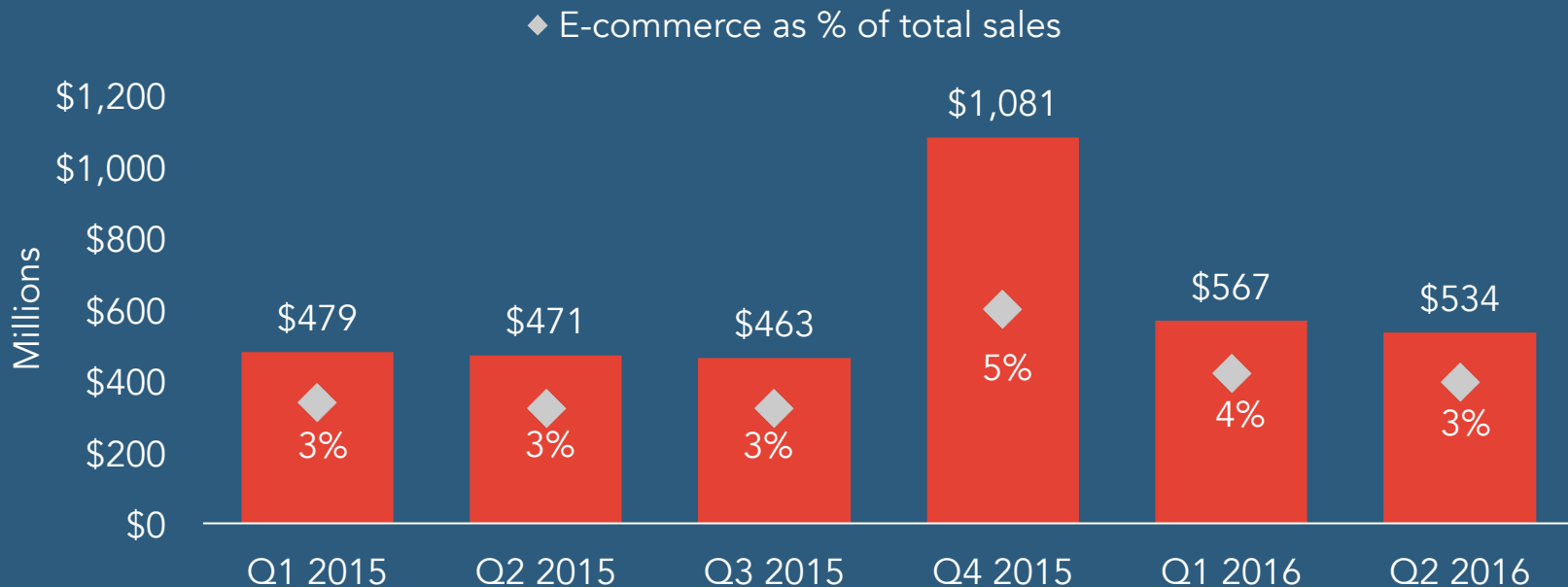
WALMART'S E-COMMERCE SALES HAVE BEEN SUFFERING

Walmart Global E-Commerce Sales Year-Over-Year Growth



AND LESS THAN 5% OF TARGET'S TOTAL SALES COME FROM E-COMMERCE

Target E-Commerce Sales

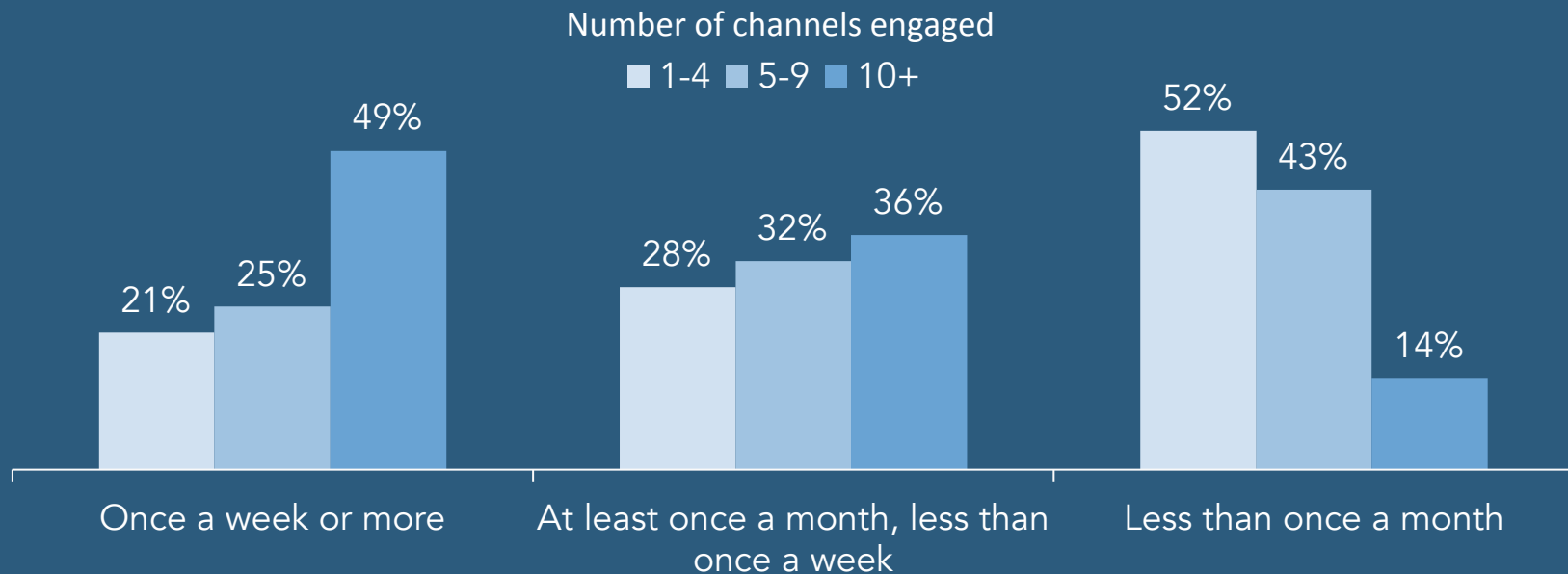


RETAILERS NEED TO EMBRACE MULTIPLE CHANNELS TO REACH CONSUMERS



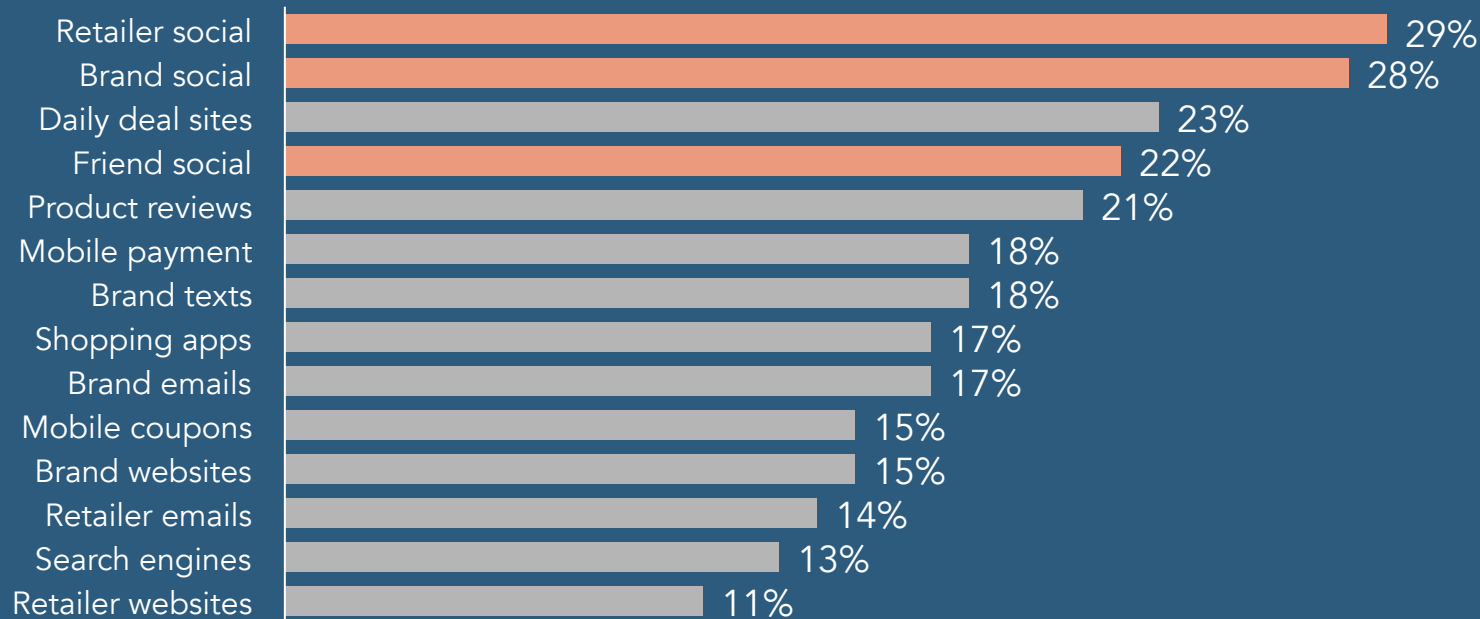
SHOPPERS THAT ENGAGE WITH RETAILERS ON MULTIPLE CHANNELS MAKE PURCHASES MORE OFTEN

SURVEY: How often do you make purchases from your favorite retailer's website?



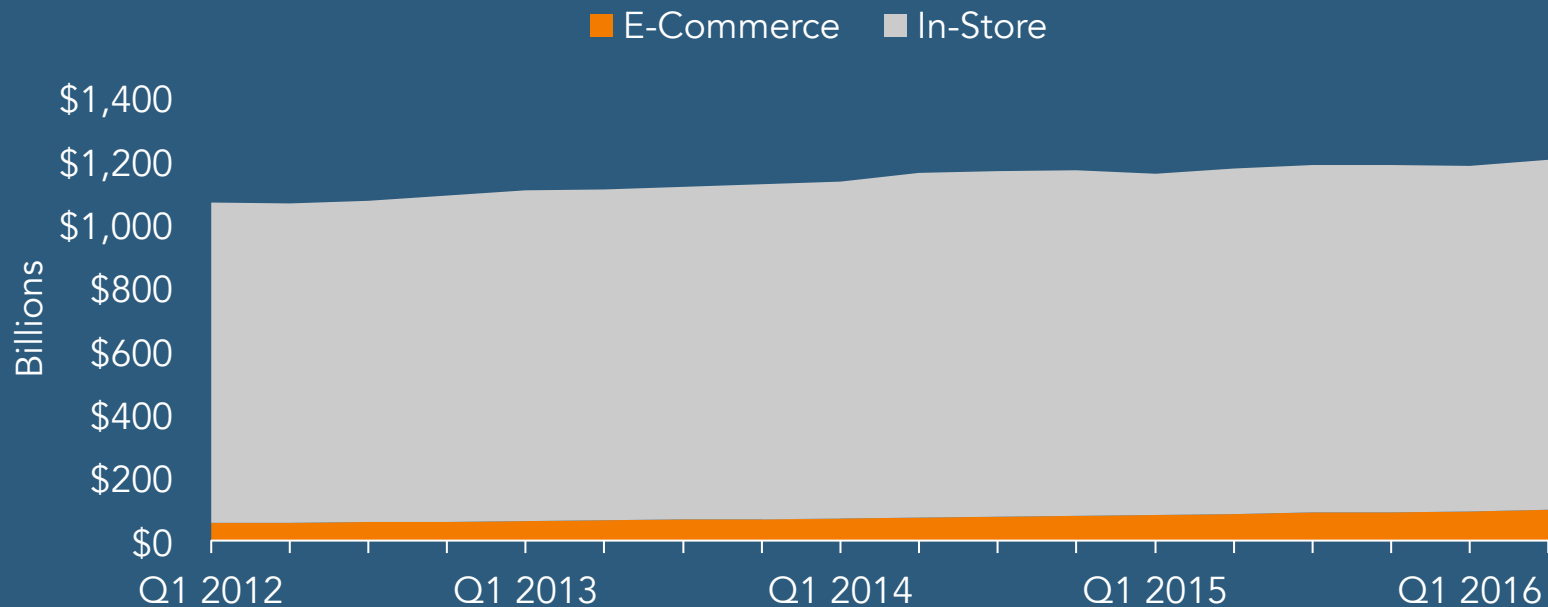
AND SOCIAL MEDIA IS ONE OF THE MOST IMPORTANT CHANNELS

US Shoppers That Tried A New Brand Or Product, By Digital Tool Influencer 2015



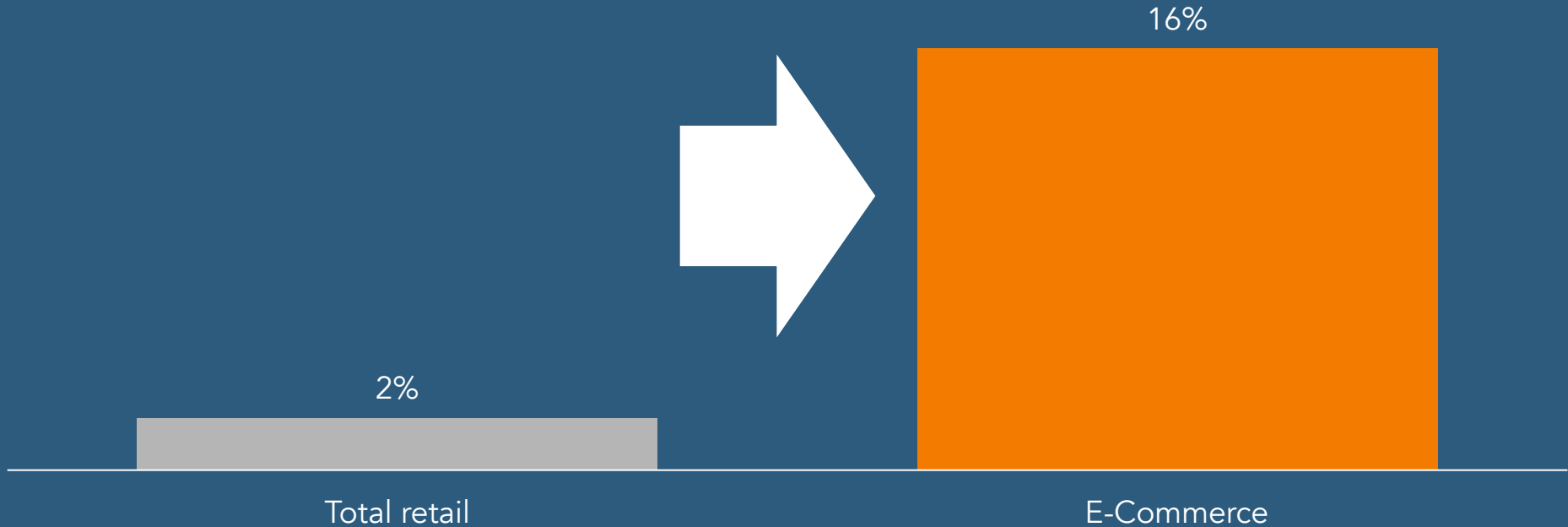
BECAUSE DESPITE E-COMMERCE'S SMALL PORTION OF TOTAL RETAIL SALES...

Overall US Retail Sales



...IT IS CONTINUALLY DRIVING GROWTH IN THE TOTAL MARKET

US Retail Average Growth Rate During 1H 2016

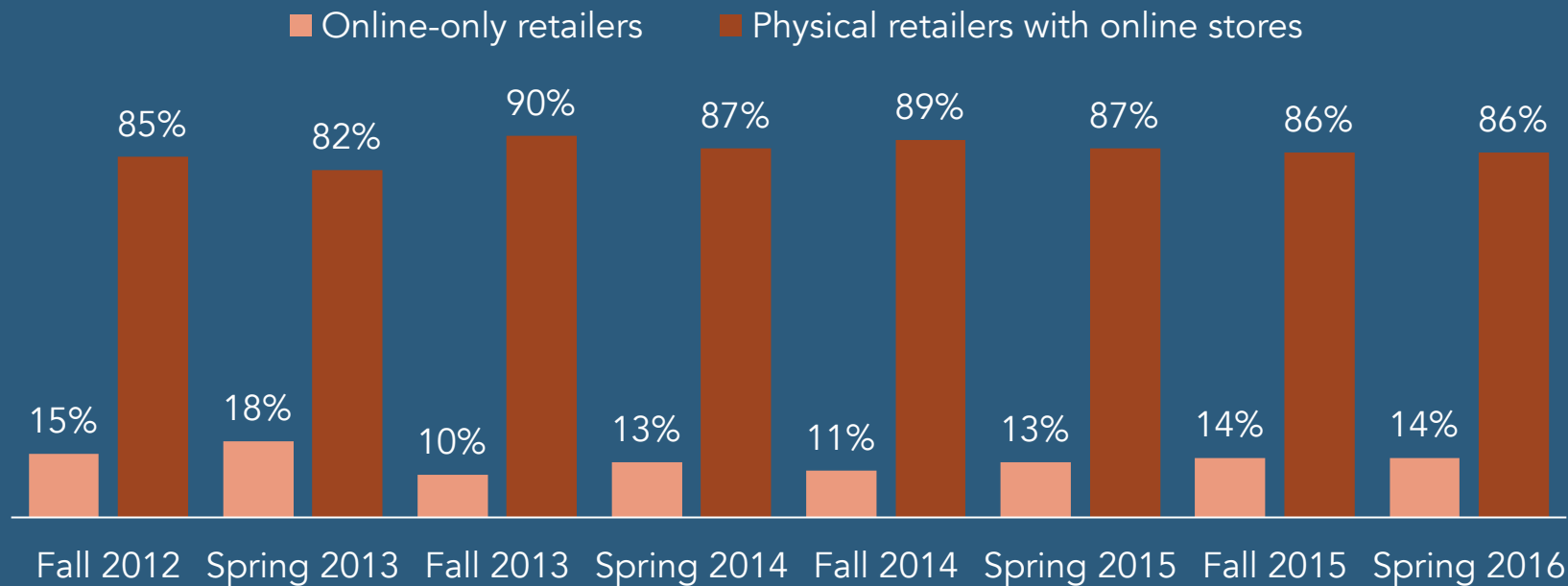


MAKING IT IMPORTANT TO STRADDLE THE DIVIDE BETWEEN PHYSICAL AND DIGITAL RETAIL



YOUNGER CONSUMERS HAVE A SUSTAINING INTEREST IN IN-STORE RETAIL

US Teens' Time Spent In Shopping Channels

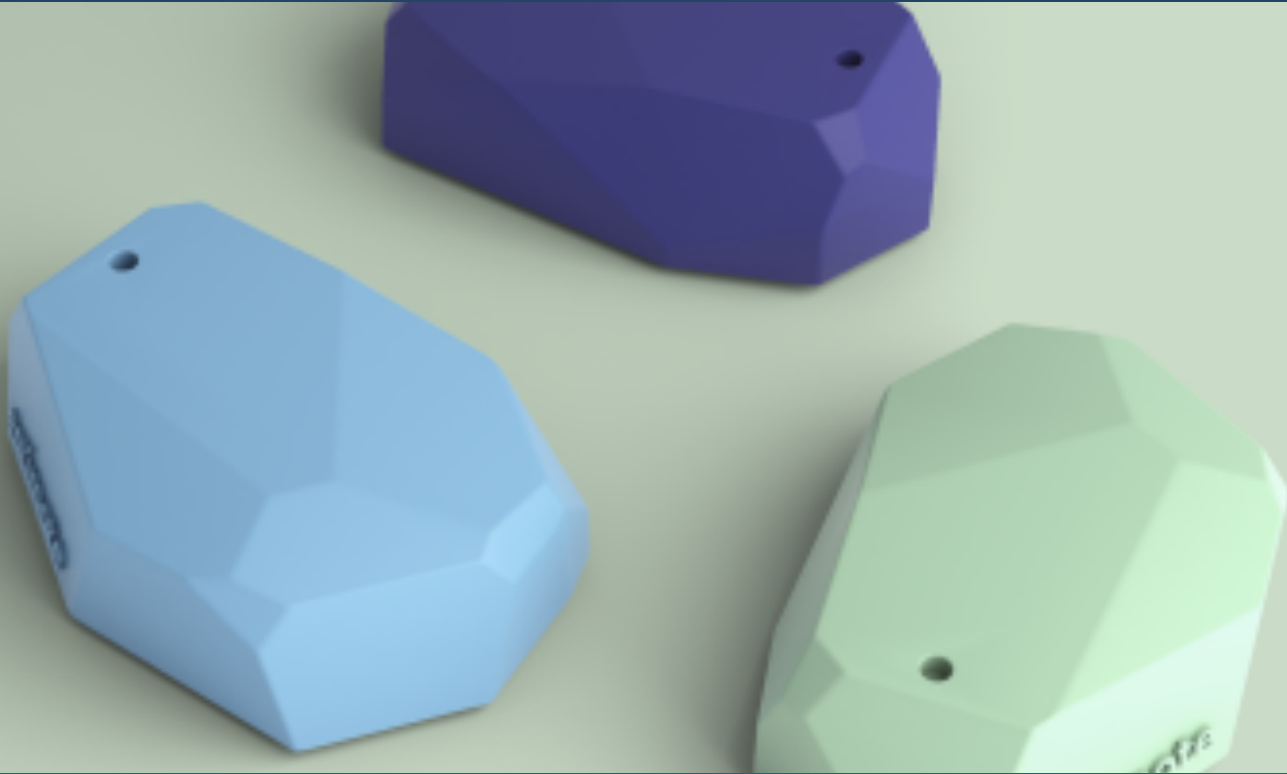


AND 65% OF MILLENNIALS USE THEIR SMARTPHONE WHILE SHOPPING IN-STORE

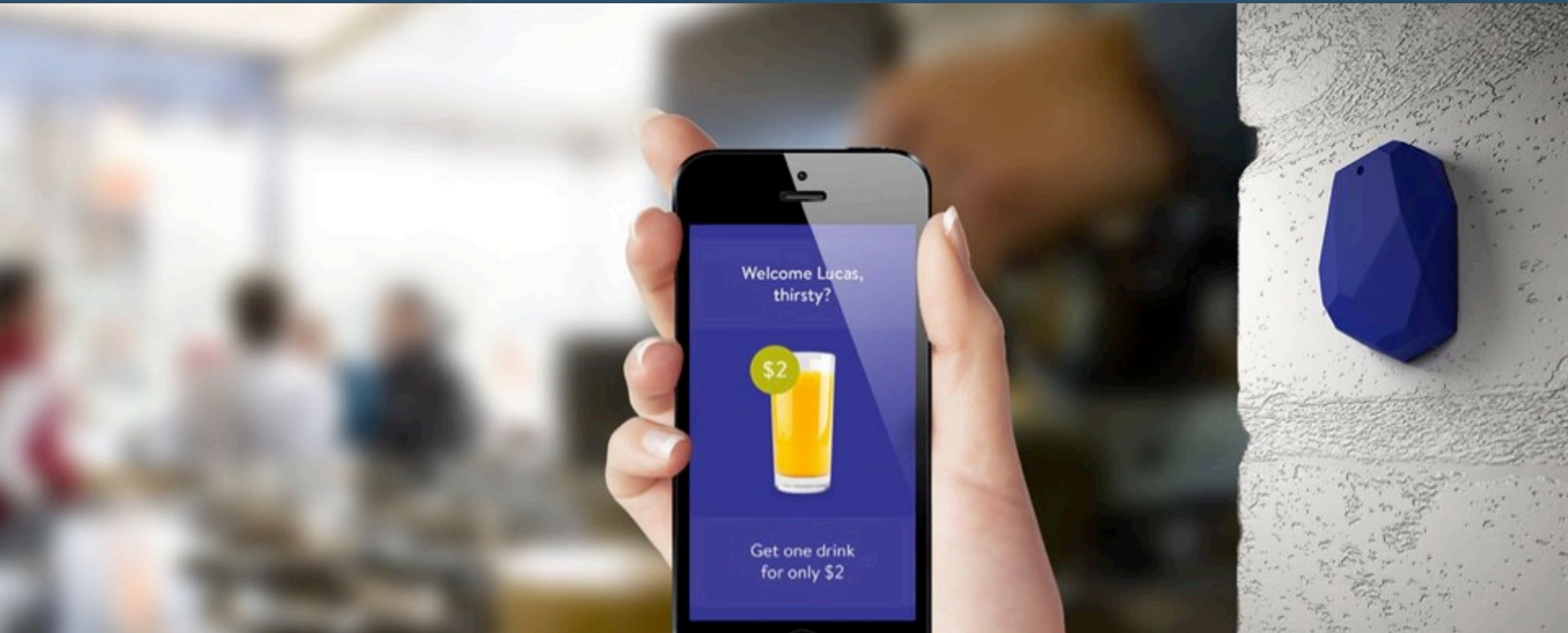
US Millennial Smartphone Behaviors When Shopping 2016



BEACONS ARE ONE OF THE BEST WAYS TO LEVERAGE THIS IN-STORE BEHAVIOR



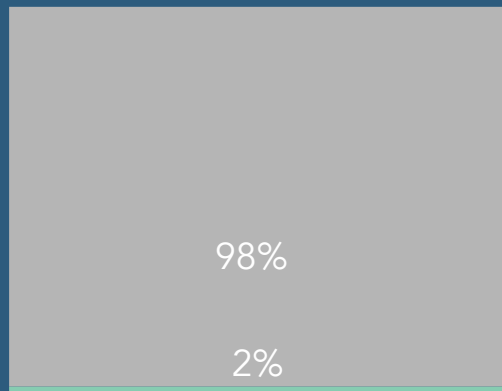
BEACONS COMMUNICATE WITH IN-STORE SHOPPERS' SMARTPHONE APPS VIA BLUETOOTH



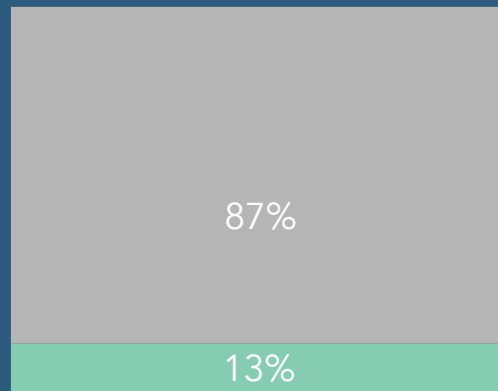
AND HAVE THE POTENTIAL TO DRIVE UP IN-STORE SALES

Percentage Of US CPG Sales* Influenced By Beacon-Triggered Messages

Actual vs. addressable, 2016



Actual beaconized
sales
\$8 billion



Addressable CPG
sales**
\$35 billion

*Total US CPG market = \$407 billion

**Based on the requirements to be beacon receptive

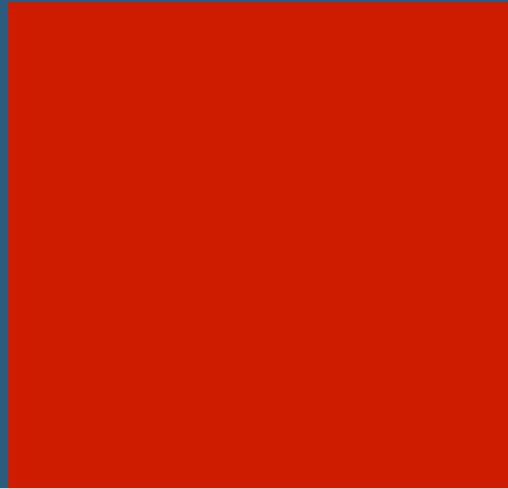
TARGET'S CARTWHEEL MOBILE APP LEVERAGES BEACONS TO PUSHES PROMOTIONS TO SHOPPERS



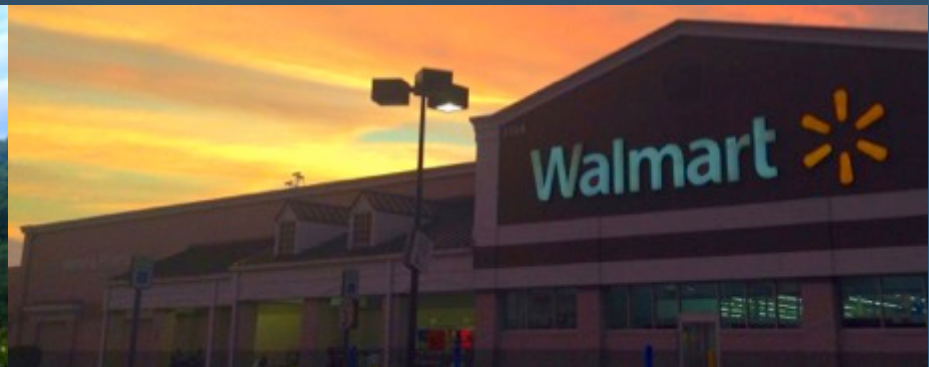
TARGET SHOPPERS HAVE SAVED OVER \$275 MILLION IN COUPONS AND DISCOUNTS THROUGH CARTWHEEL

Number Of Target Cartwheel Mobile App Downloads *In millions*

18



BEACONS HAVE BEEN ADOPTED BY A NUMBER OF TOP CPG RETAILERS

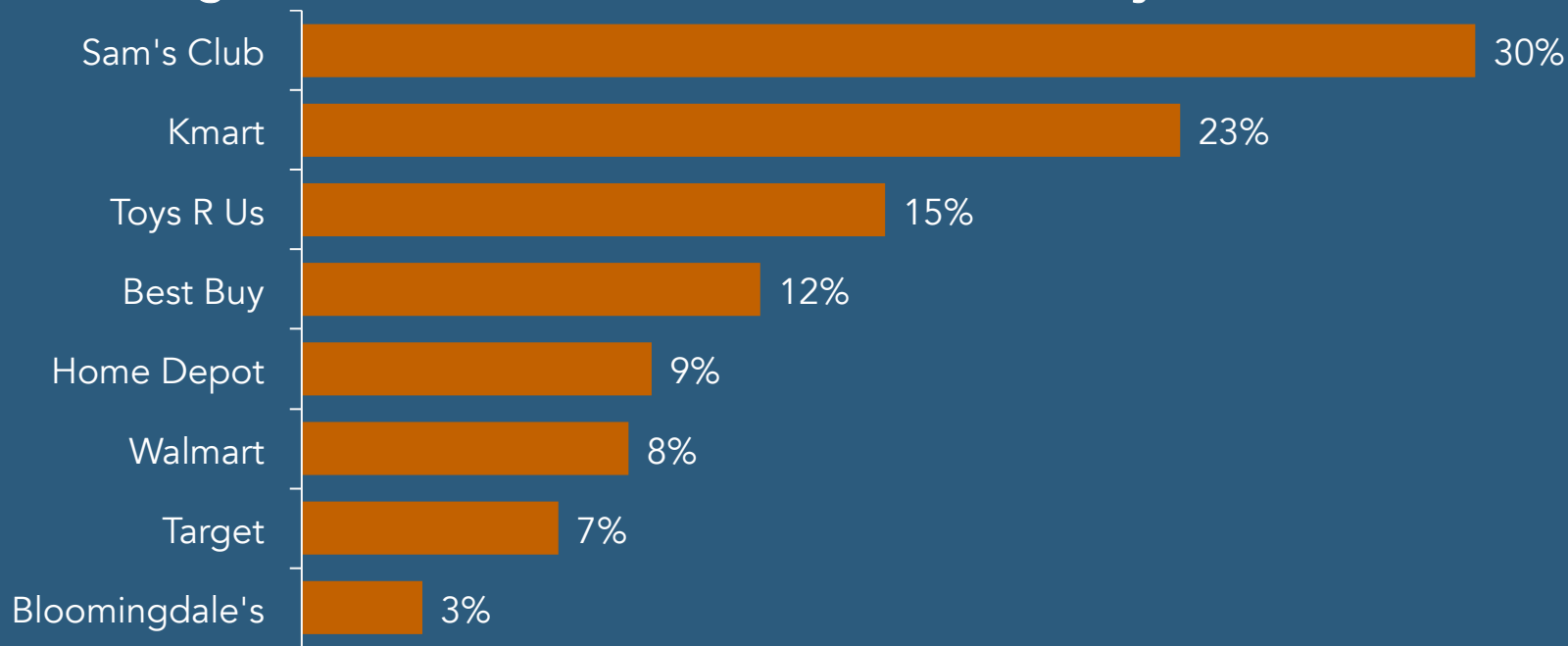


CLICK AND COLLECT IS ANOTHER CROSS-CHANNEL STRATEGY THAT ALLOWS SHOPPERS TO PICK UP ONLINE ORDERS IN-STORE



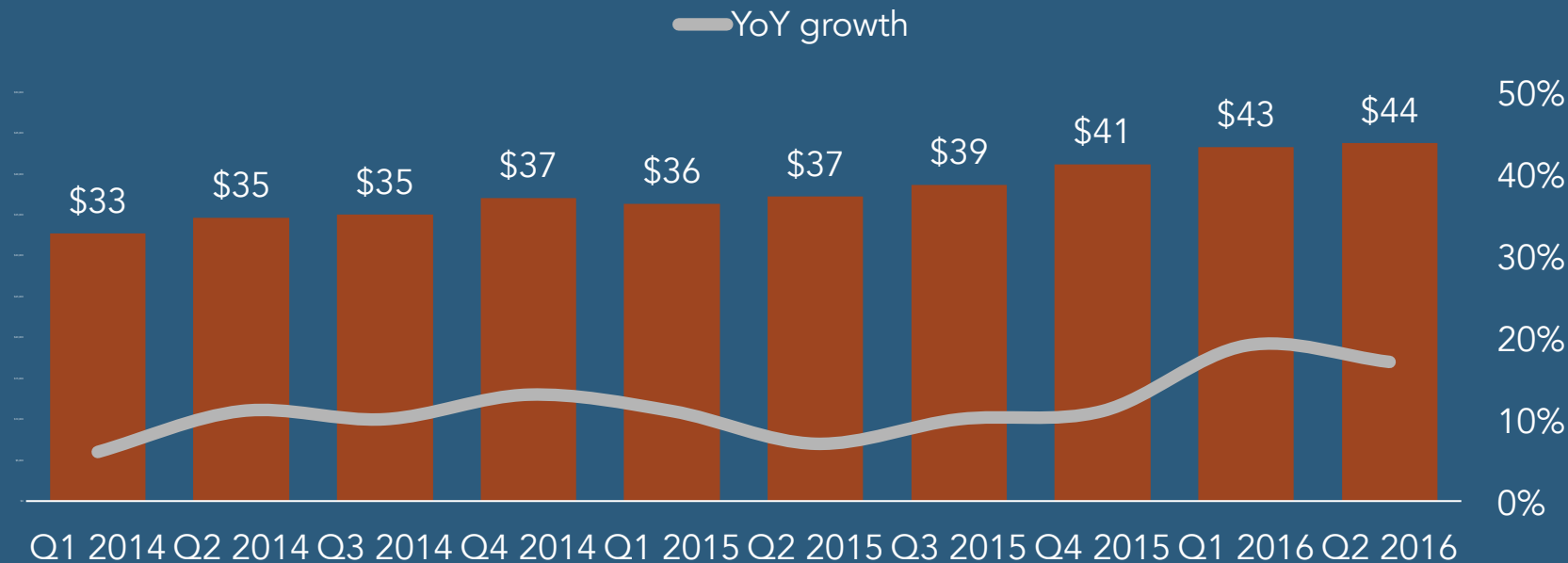
ONLINE SHOPPERS ARE QUICKLY ADOPTING THIS METHOD, WHICH MADE UP ONE-THIRD OF SAM'S CLUB'S ONLINE SALES IN 2015

Percentage of Online Sales That Are Click and Collect, By Retailer 2015



IN ADDITION TO BEACONS, CVS HAS ROLLED OUT CLICK AND COLLECT

CVS Net Revenue *In billions*



EVEN E-COMMERCE GIANT AMAZON OPENED ITS FIRST-EVER BRICK-AND-MORTAR LOCATION AS IT GOES OMNICHANNEL



THE RISE OF ONLINE SHOPPING WILL INCREASINGLY BLUR THE LINES BETWEEN DIGITAL AND PHYSICAL RETAIL



BI INTELLIGENCE

MAKING OMNICHANNEL STRATEGIES NECESSARY FOR BOTH LEGACY RETAILERS AND NEW ENTRANTS



MEET THE BI INTELLIGENCE E-COMMERCE TEAM



Evan Bakker
Senior Research
Analyst



Nancee Halpin
Research Analyst