



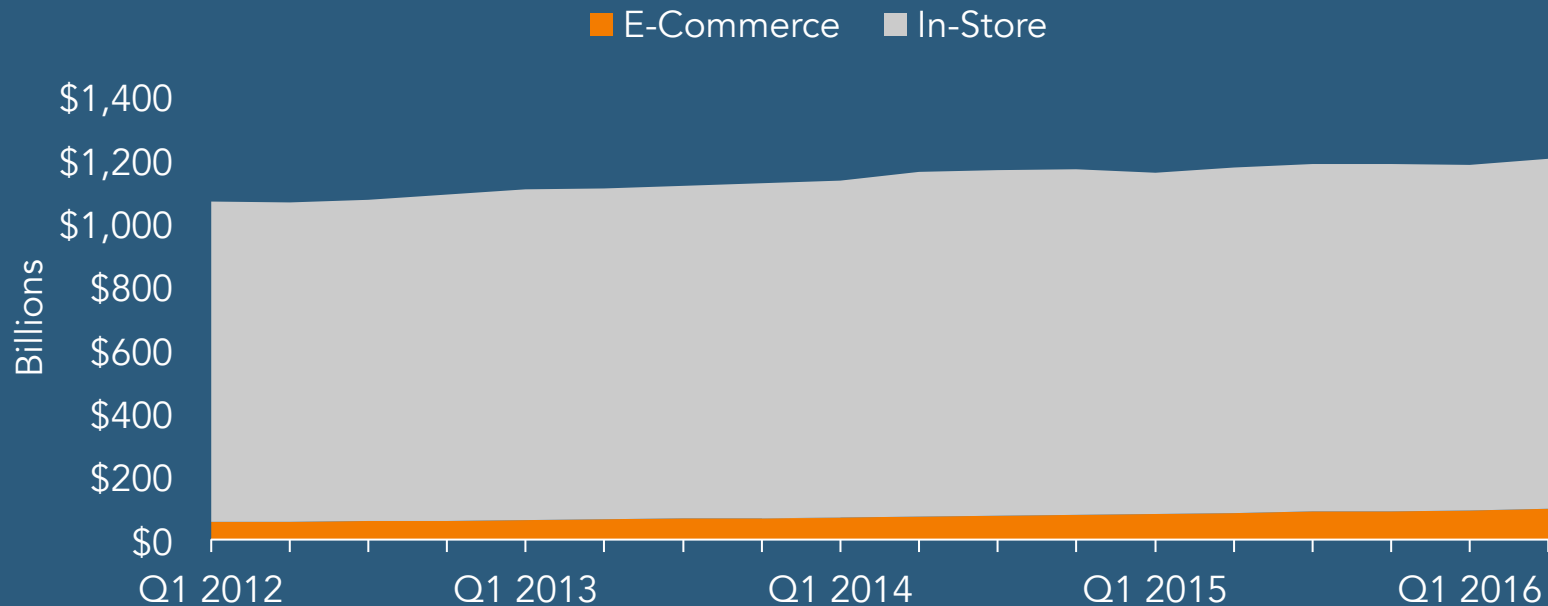
# THE FUTURE OF RETAIL 2016

## BI INTELLIGENCE

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

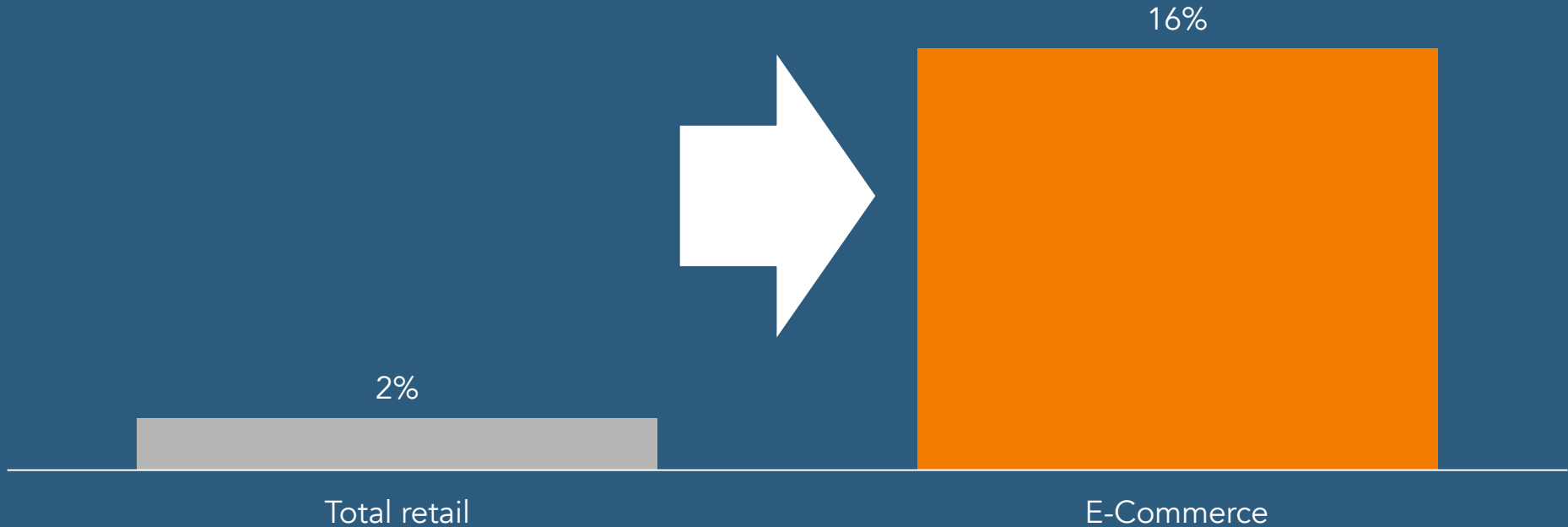
# EVEN THOUGH E-COMMERCE MAY NOT SEEM LIKE MUCH COMPARED TO IN-STORE RETAIL...

## Overall US Retail Sales



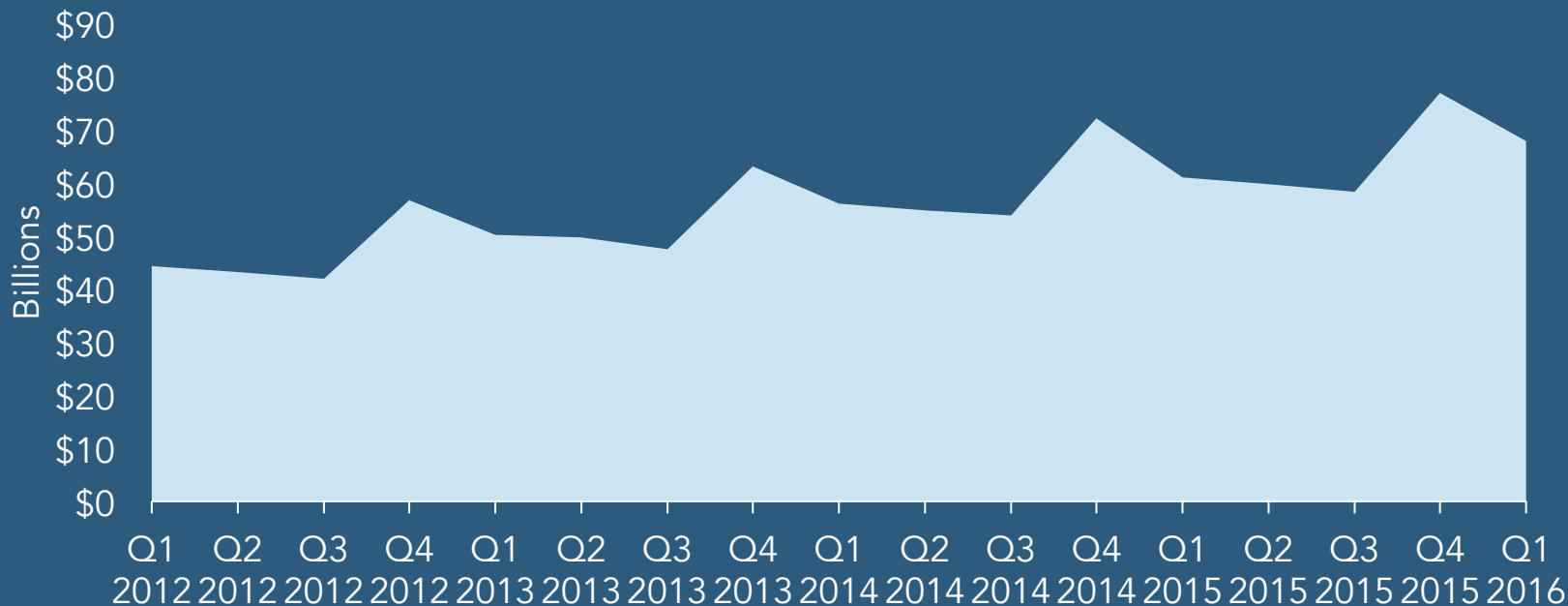
# NEARLY ALL GROWTH NOW COMES FROM ONLINE SALES

US Retail Average Growth Rate During 1H 2016



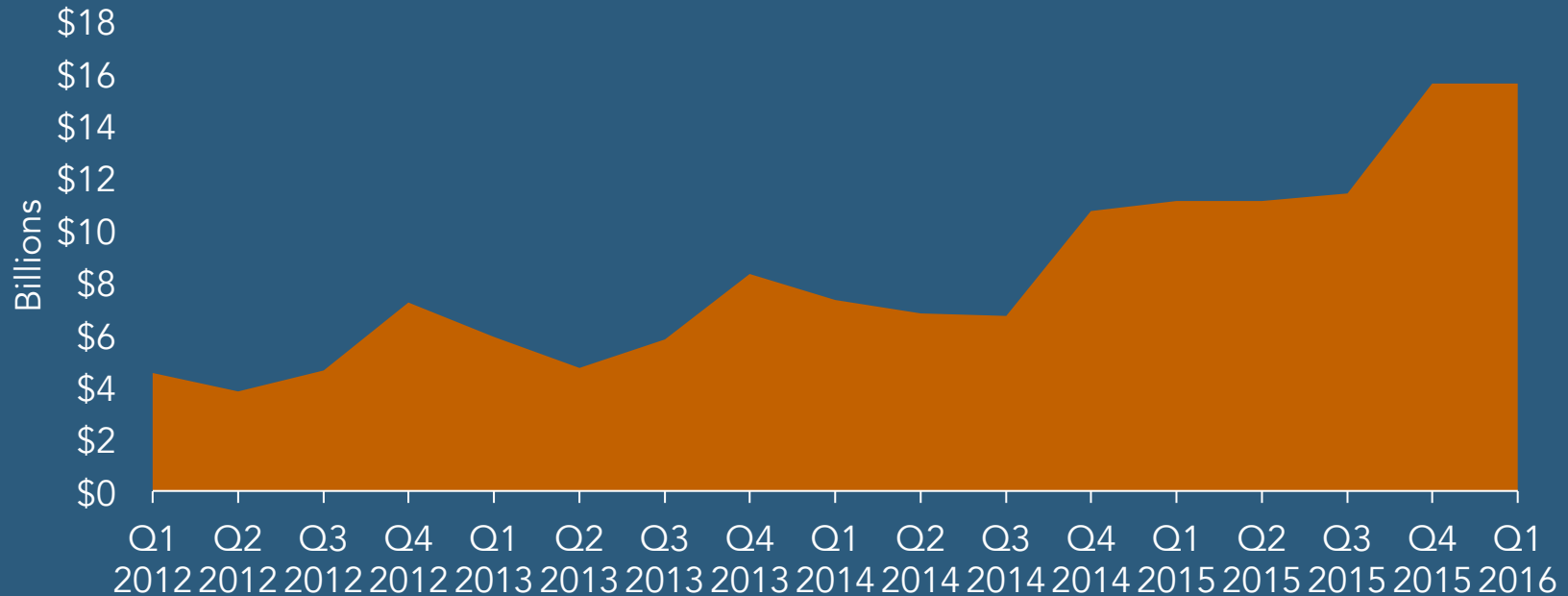
# AND WHILE PURCHASES MADE ON DESKTOP REMAIN STRONG AND STEADY...

## US E-Commerce Sales On Desktop



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

## US E-Commerce Sales On Mobile

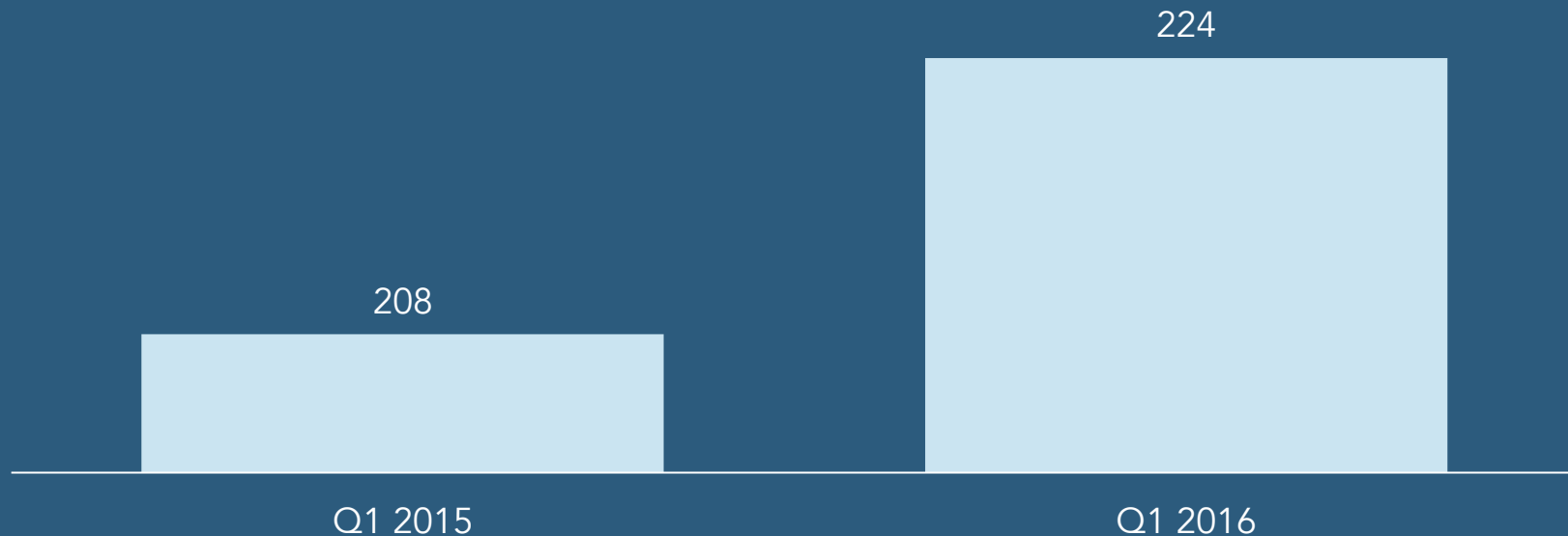


# SO WHAT'S DRIVING THIS GROWTH?



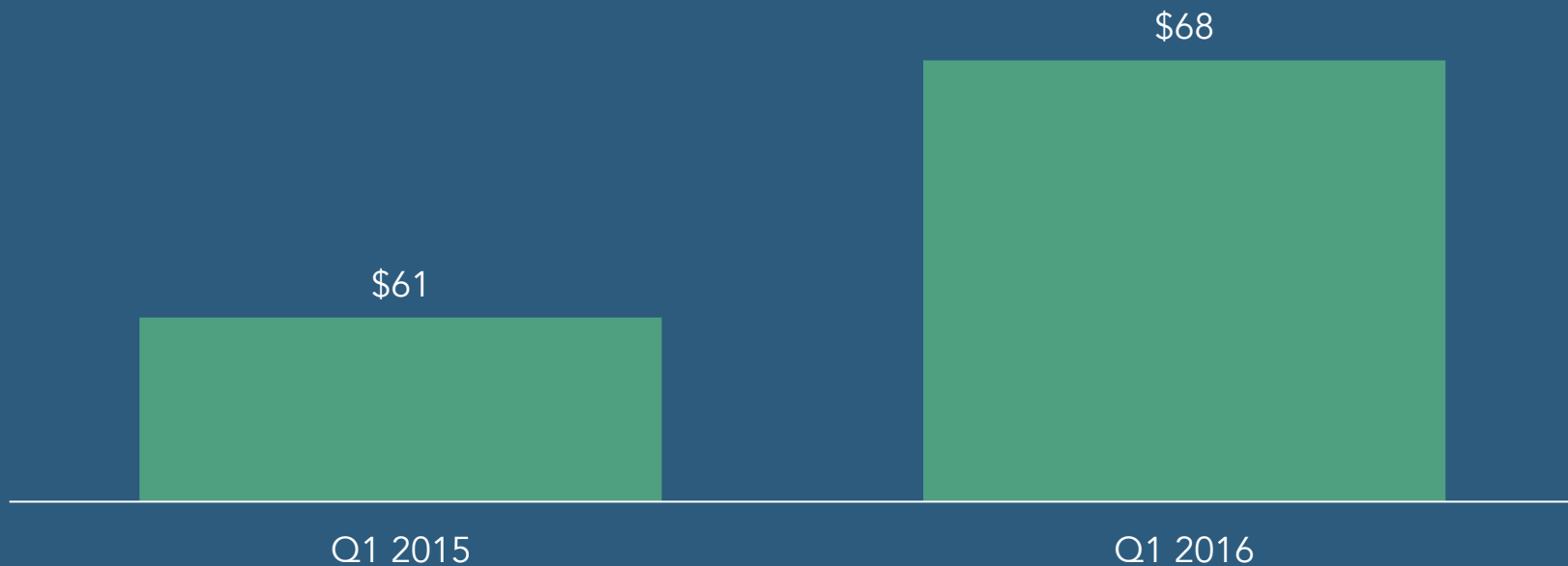
# CONSUMERS ARE GOING DIGITAL — THE NUMBER OF ONLINE SHOPPERS HAS GROWN NEARLY 20 MILLION SINCE 2015

**Number Of US Online Shoppers** *In millions*



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

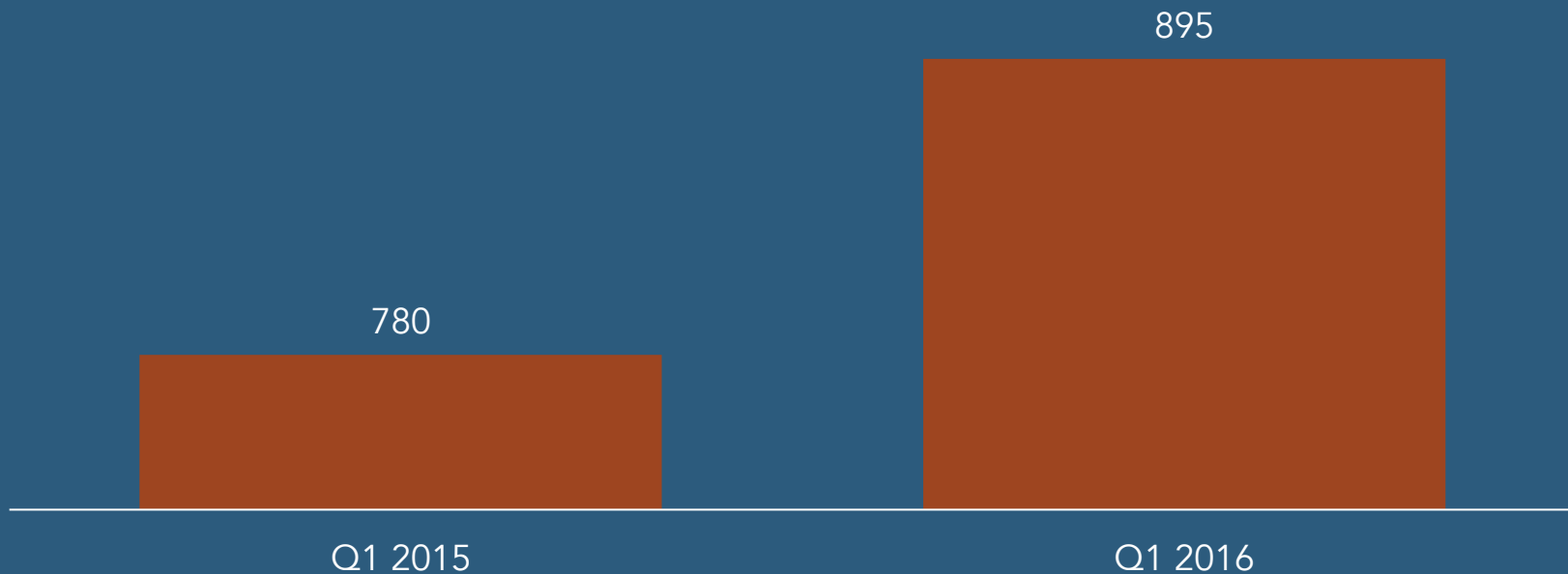
**Online Spending By US Consumers** *In billions*





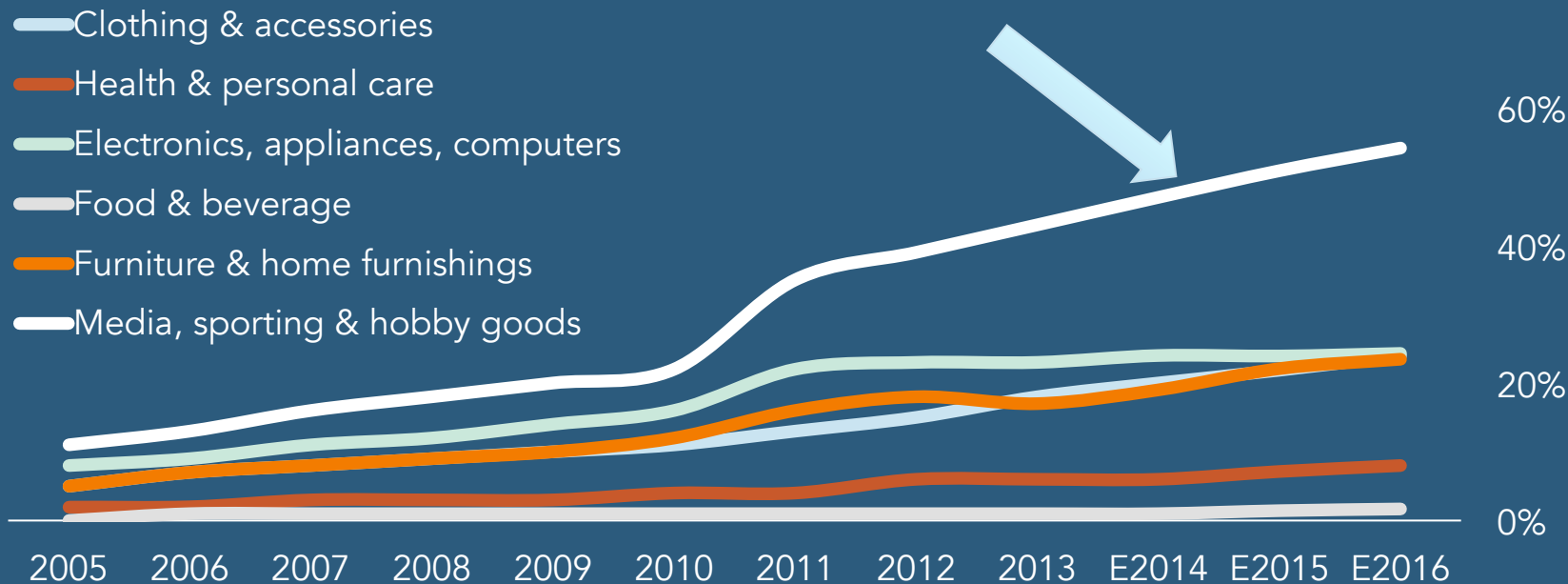
# CONSUMERS ARE ALSO SHOPPING ONLINE MORE OFTEN — THE NUMBER OF ONLINE TRANSACTIONS HAS INCREASED BY 115 MILLION SINCE 2015

## US Online Transactions *In millions*



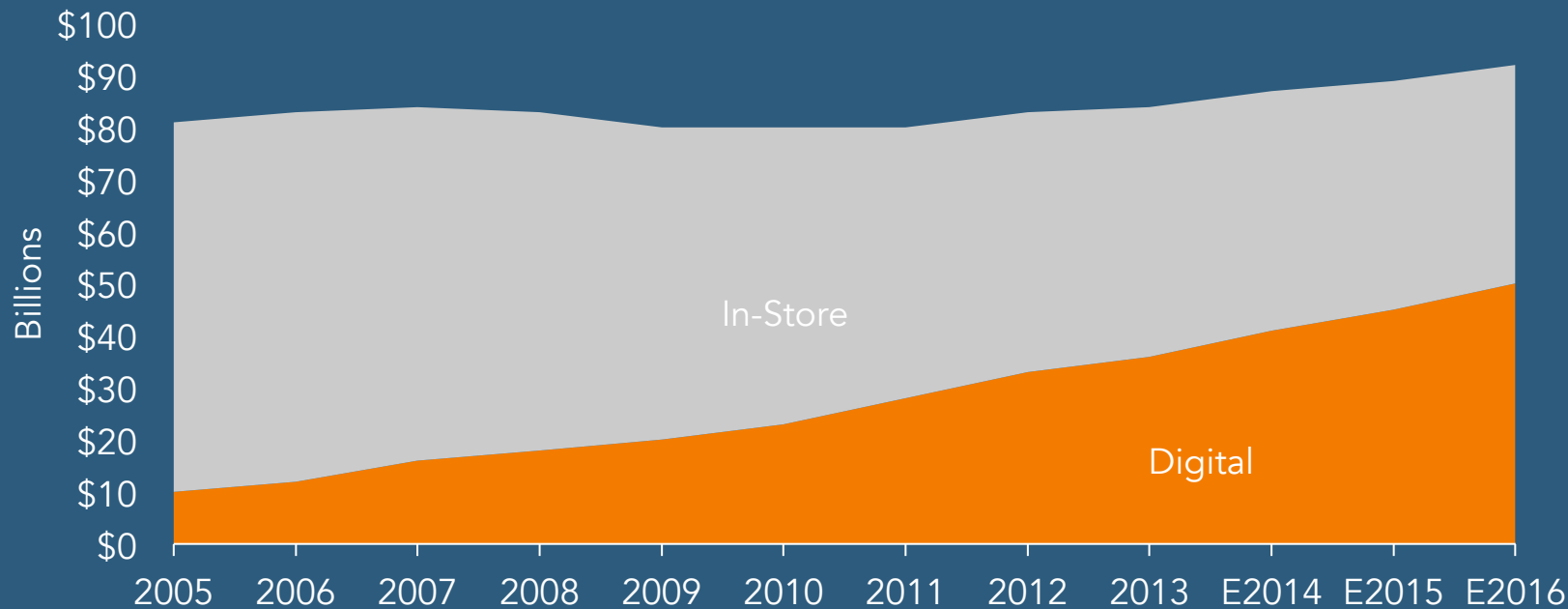
# MEDIA, SPORTING & HOBBY GOODS ARE LEADING THE WAY IN THE SHIFT TO DIGITAL

## 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**

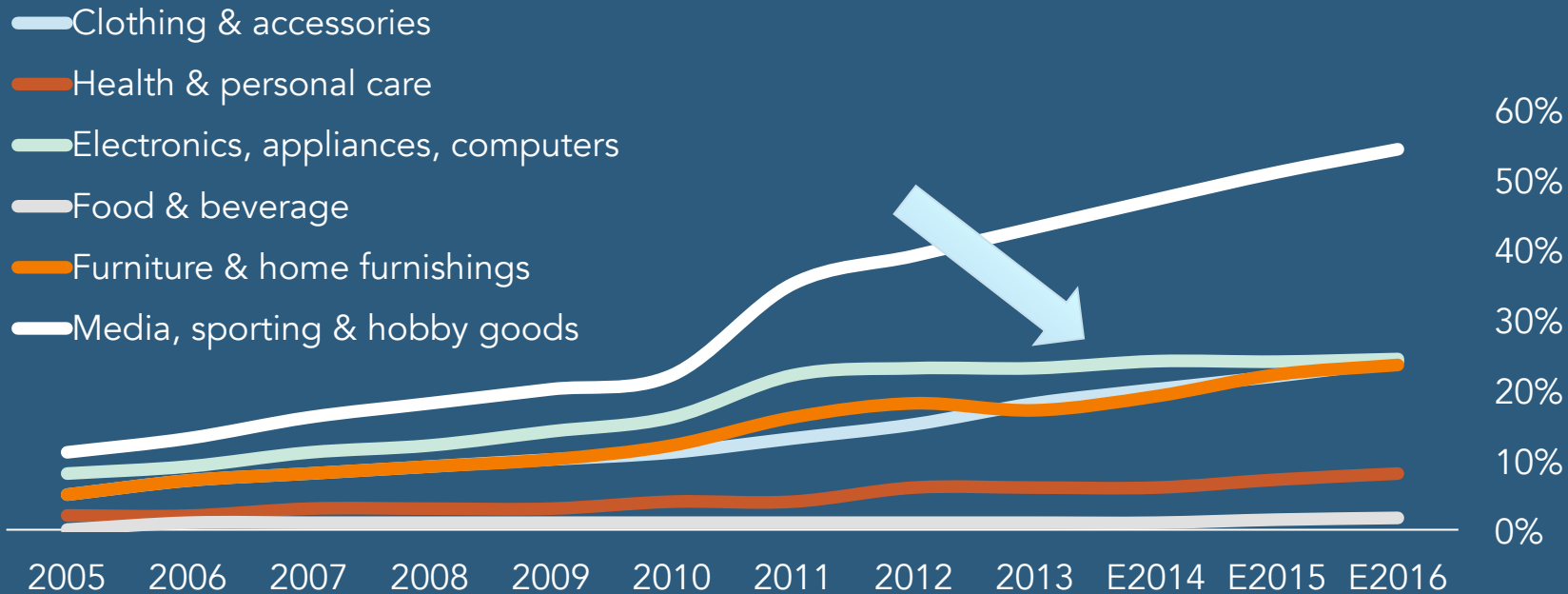


# THE STAKES ARE HIGH: THE SPORTS AUTHORITY COULDN'T KEEP UP AND FILED FOR BANKRUPTCY IN APRIL



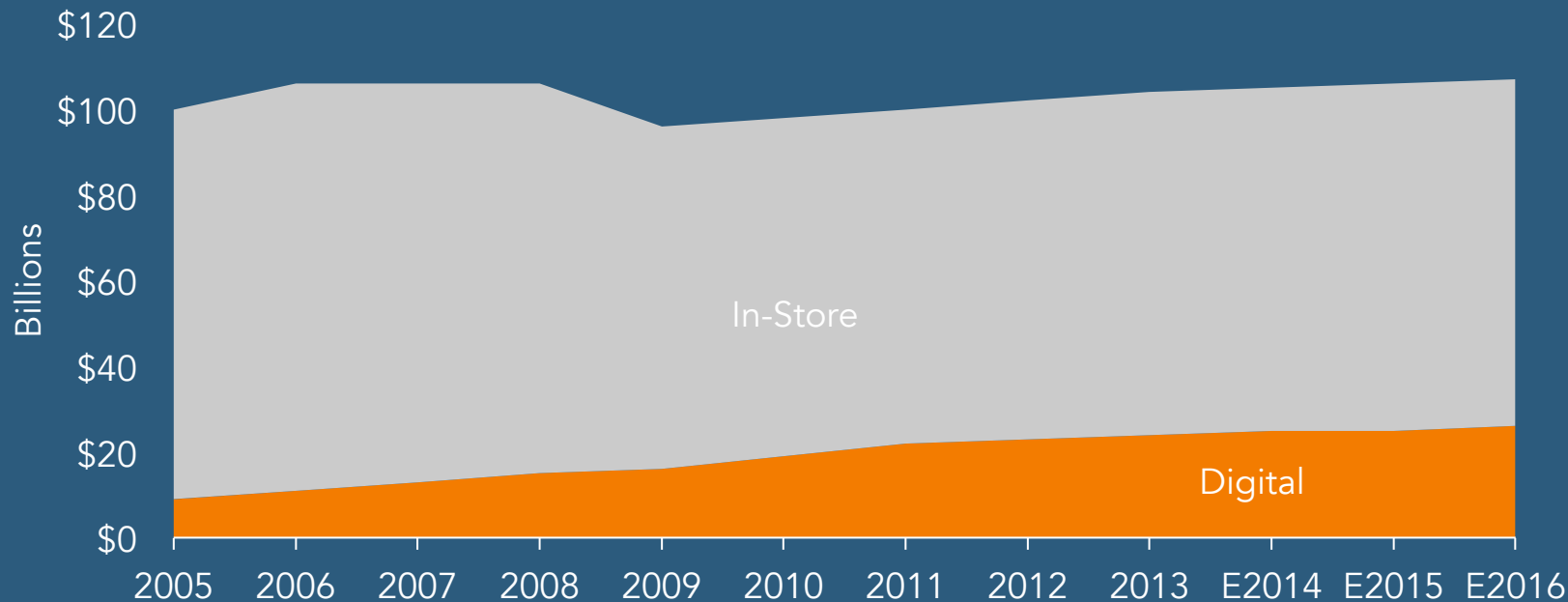
# ELECTRONICS HAS REMAINED STEADY

## Digital's Share Of US Retail Sales



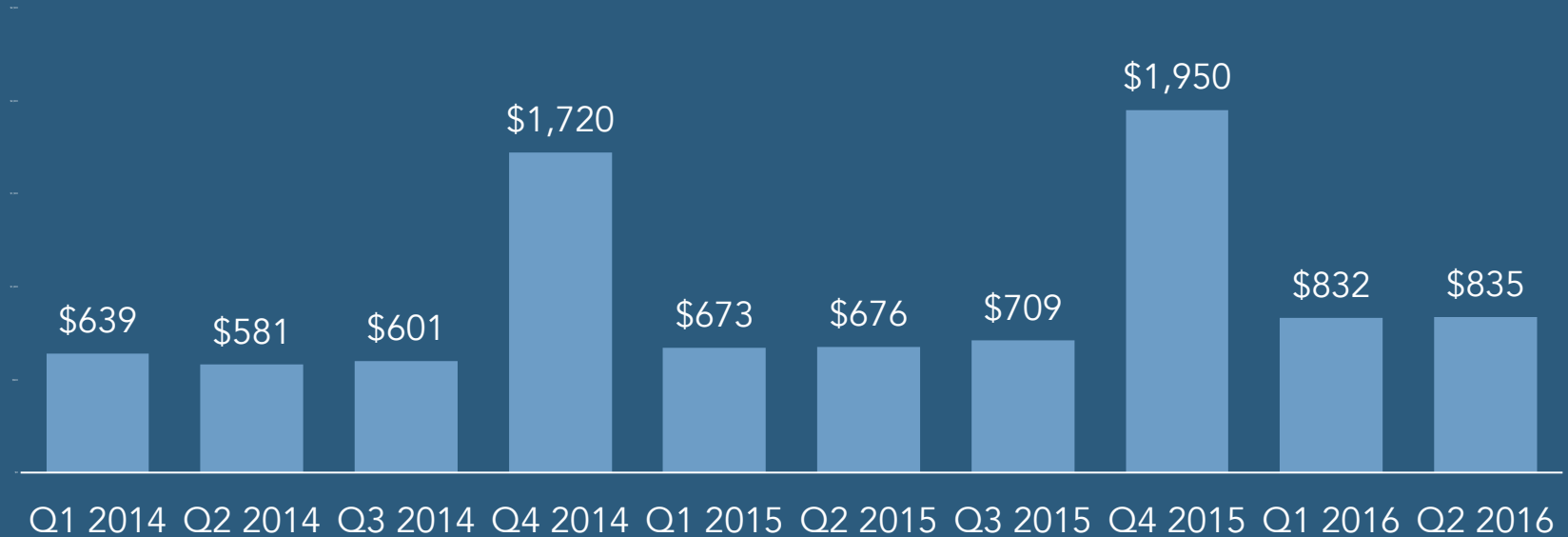
# NEARLY ONE IN FOUR ELECTRONICS PURCHASES HAVE BEEN MADE ONLINE EACH YEAR SINCE 2014

## US Sales Of Electronics & Appliances



# BEST BUY HAS BEEN CAPITALIZING ON THIS...

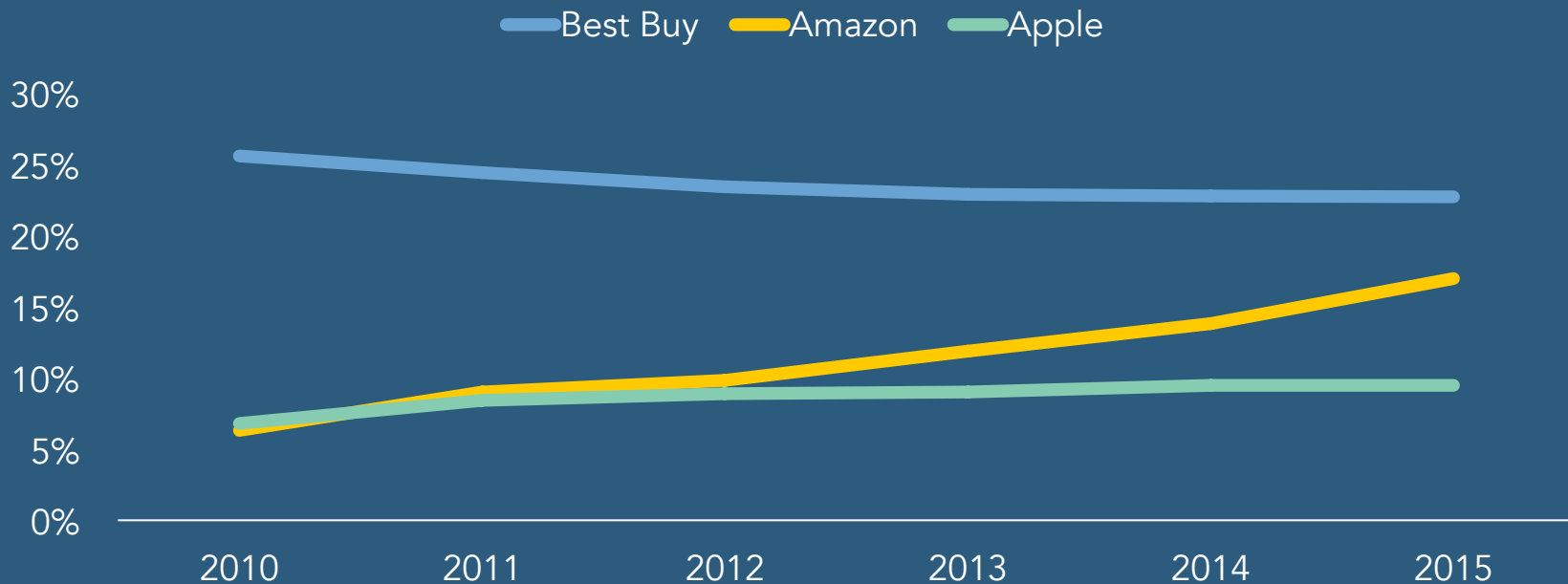
## Best Buy E-Commerce Sales *In millions*





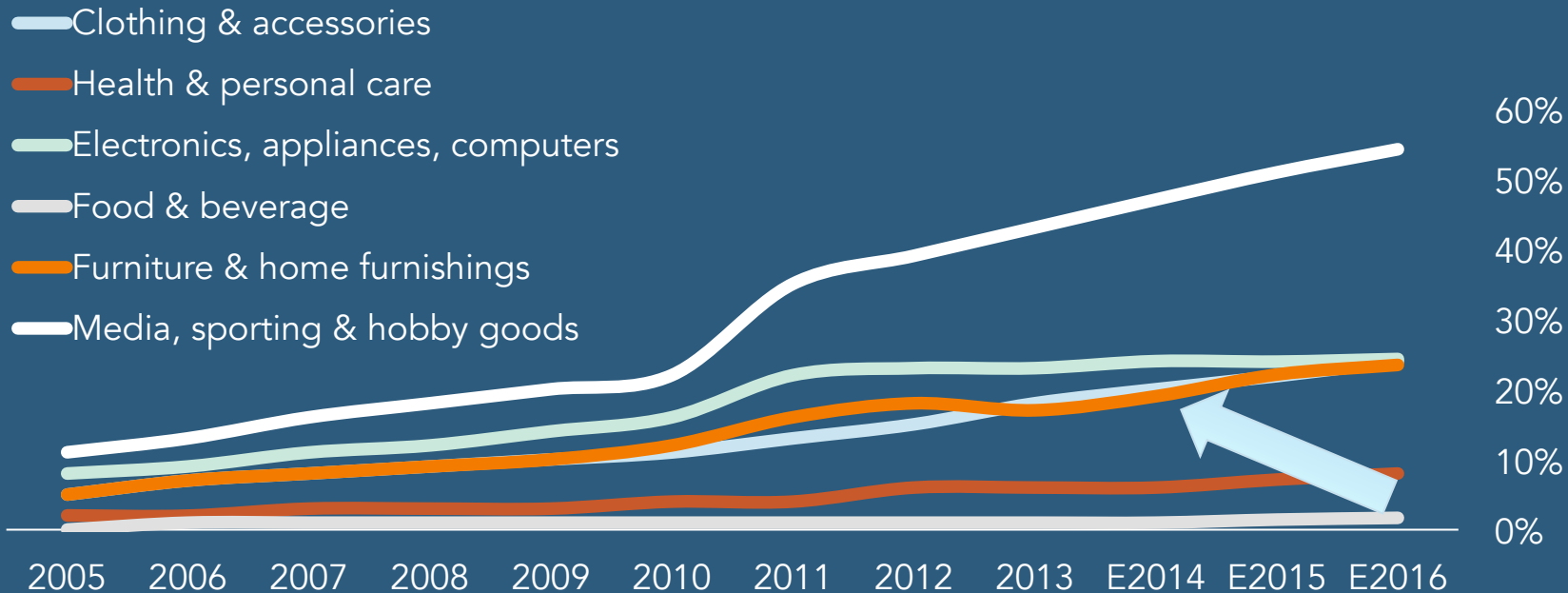
# ...BUT AMAZON IS CHALLENGING BEST BUY'S DOMINANCE

## US Consumer Electronics Market Share, By Retailer



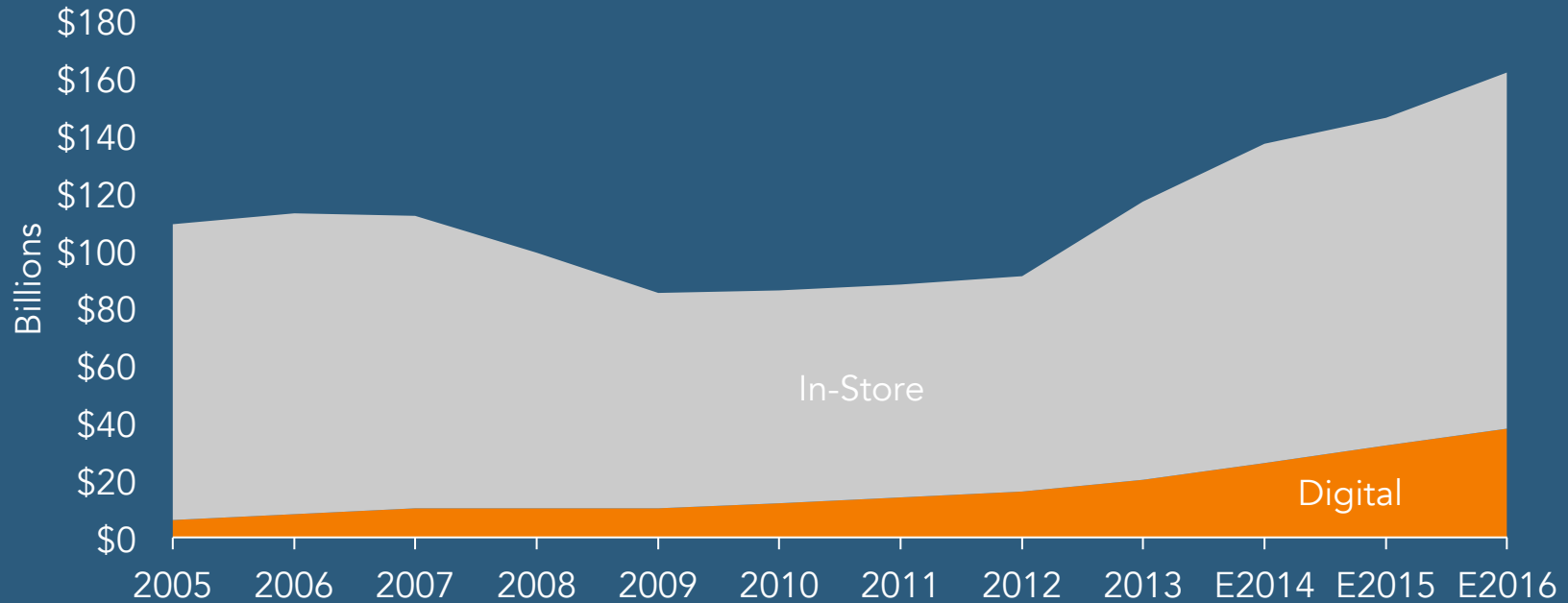
# DESPITE LOGISTICAL BARRIERS, CONSUMERS ARE ALSO INTERESTED IN BUYING FURNITURE ONLINE

## Digital's Share Of US Retail Sales



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

## US Sales Of Furniture

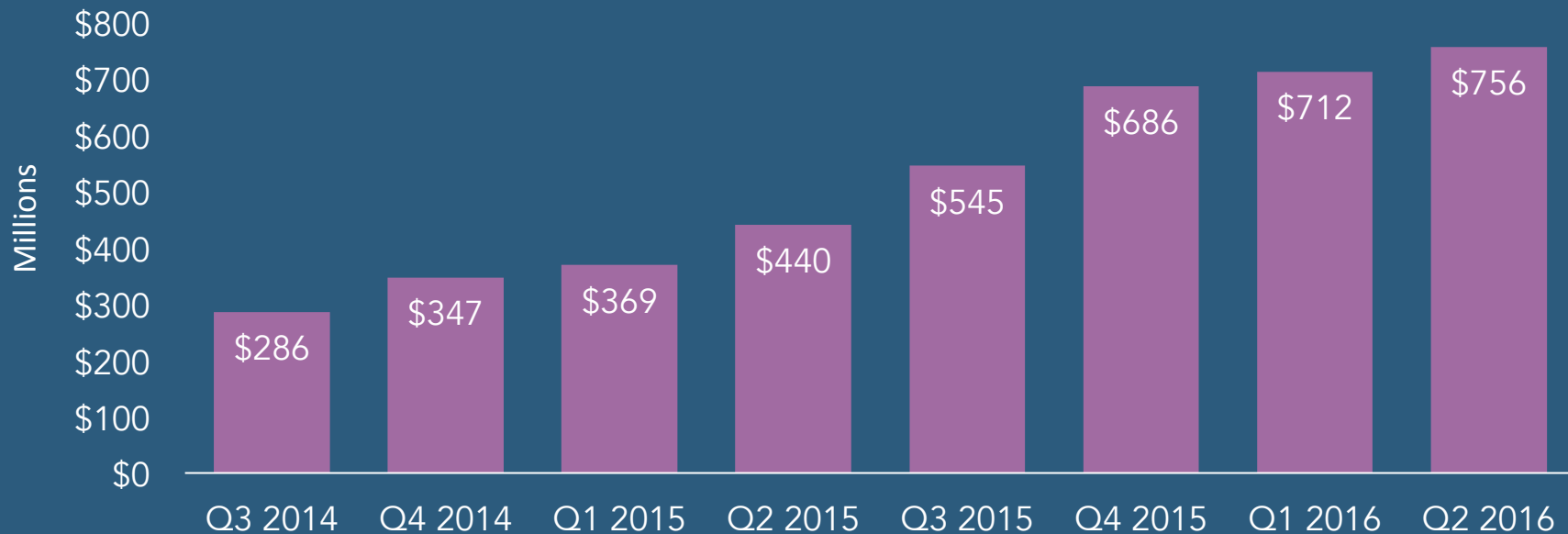


# WAYFAIR LAUNCHED AN AR APP CALLED WAYFAIRVIEW THAT LETS SHOPPERS SEE HOW FURNITURE WOULD LOOK IN THEIR HOME



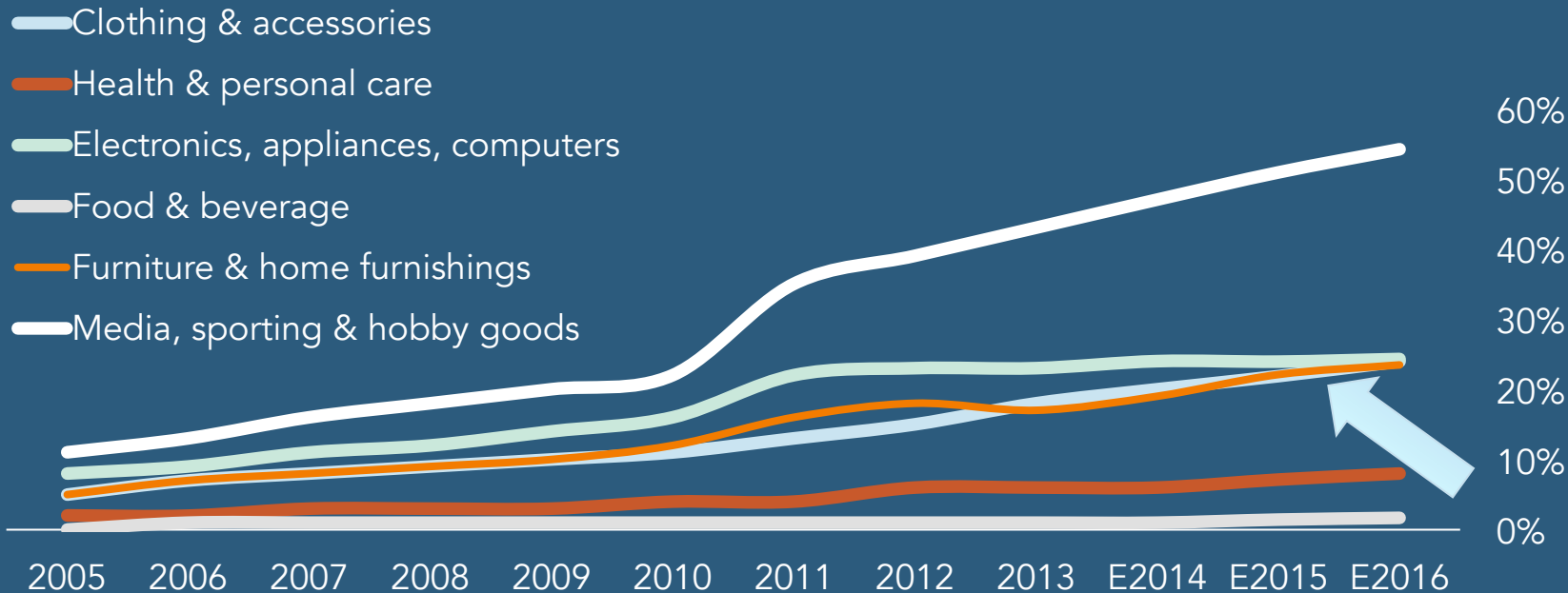
# MOVES LIKE THIS MAY HELP WAYFAIR KEEP UP ITS RAPID GROWTH — SALES HAVE MORE THAN DOUBLED IN TWO YEARS

## Wayfair E-Commerce Retail Revenue Growth



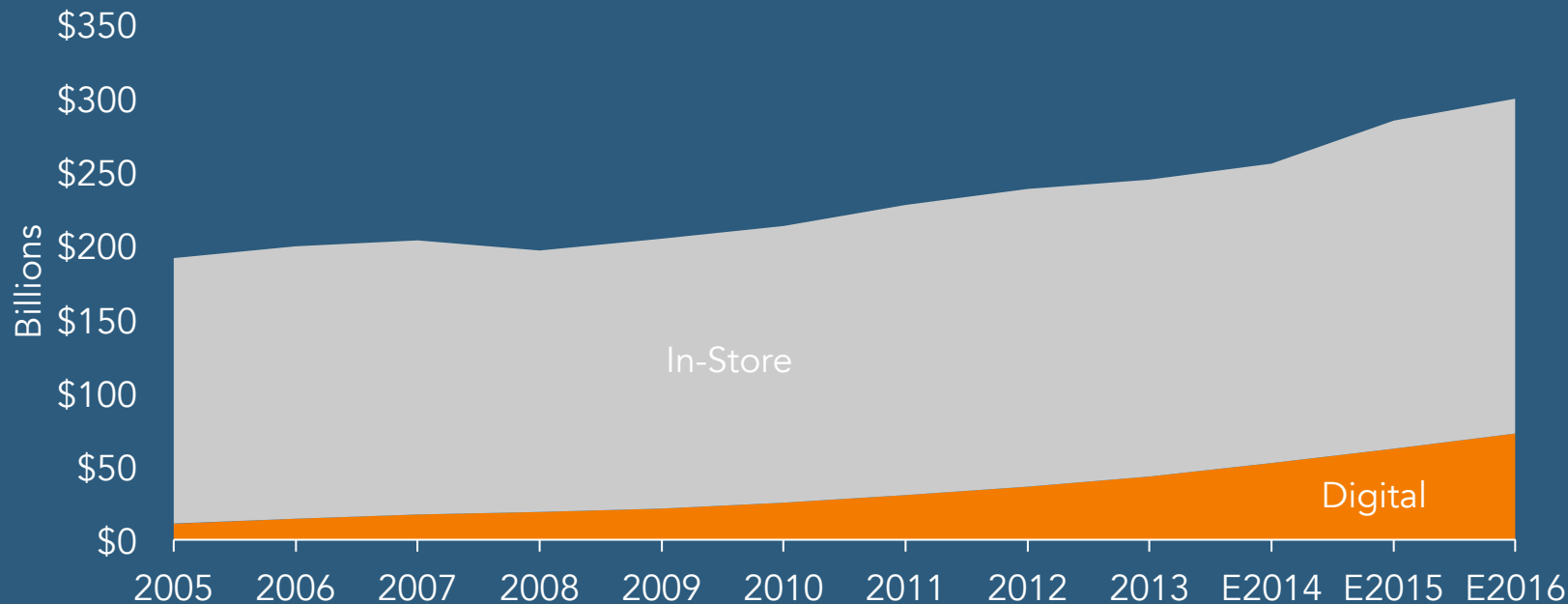
# ALTHOUGH APPAREL AND ACCESSORIES ARE SLOWER IN THE SHIFT TO DIGITAL...

## Digital's Share Of US Retail Sales



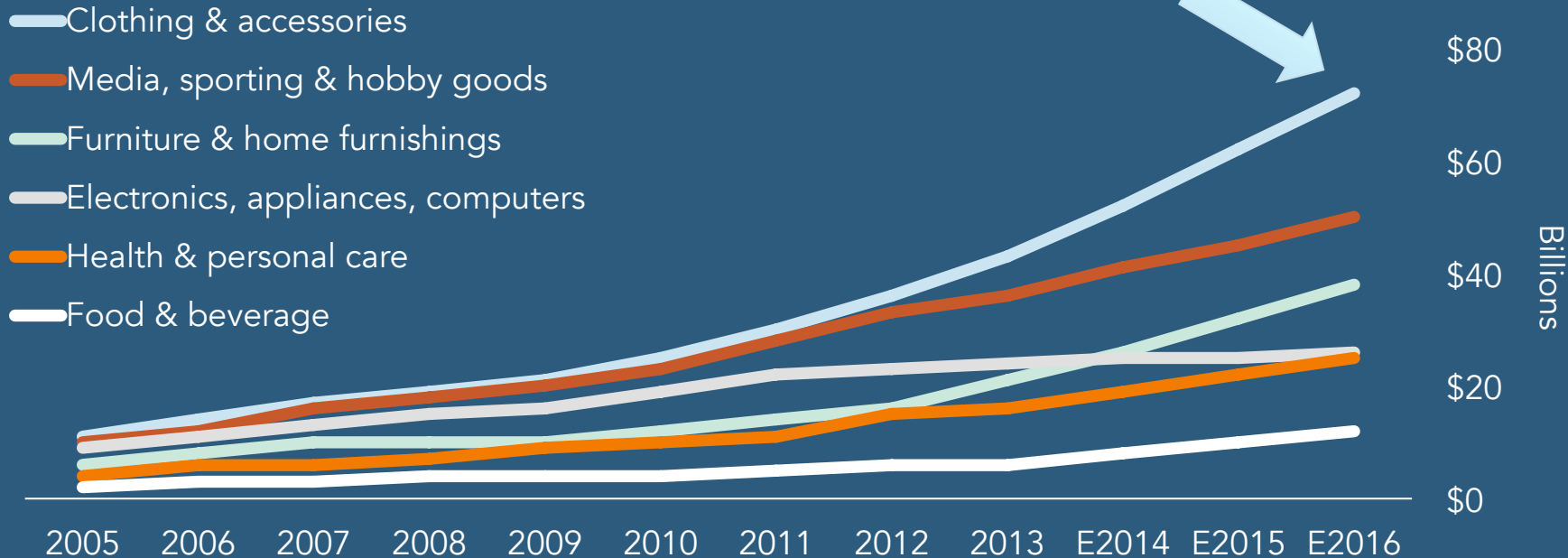
# ONE QUARTER OF PURCHASES OCCUR ONLINE

## US Sales Of Apparel



# ACCOUNTING FOR NEARLY \$80 BILLION IN ONLINE SALES

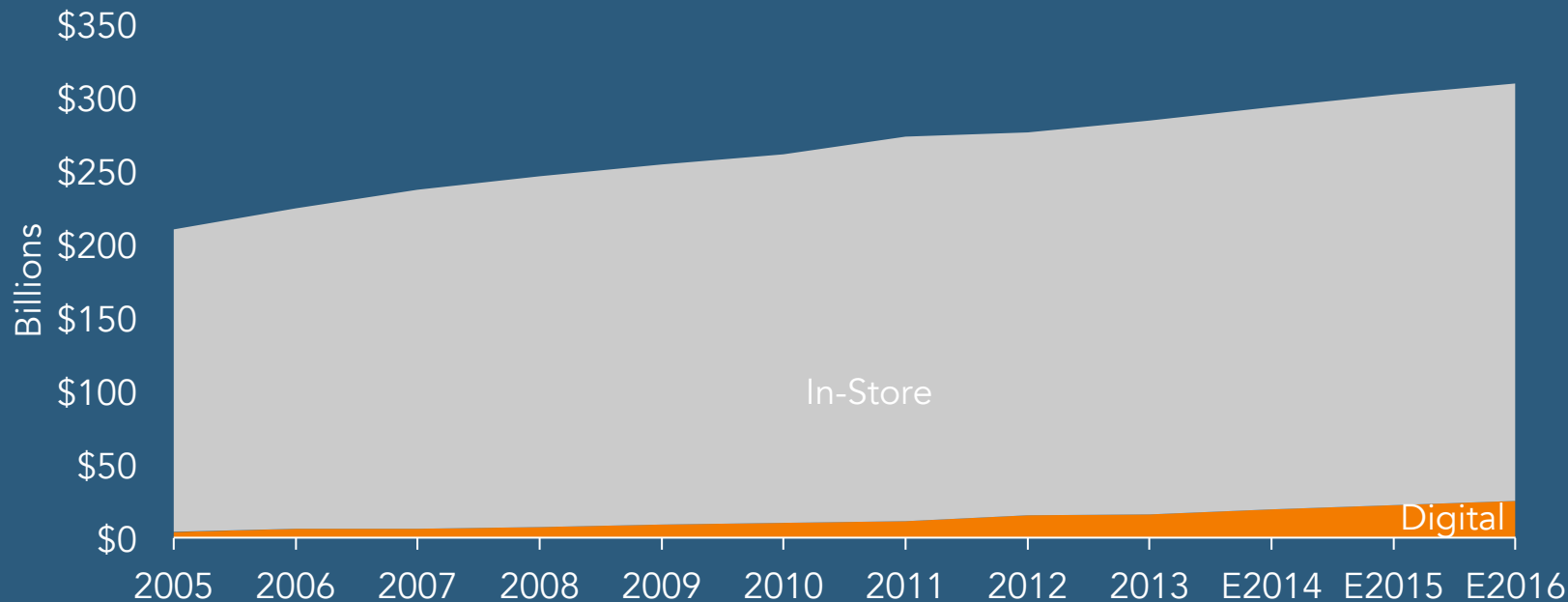
## US E-Commerce Sales, By Category





# 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

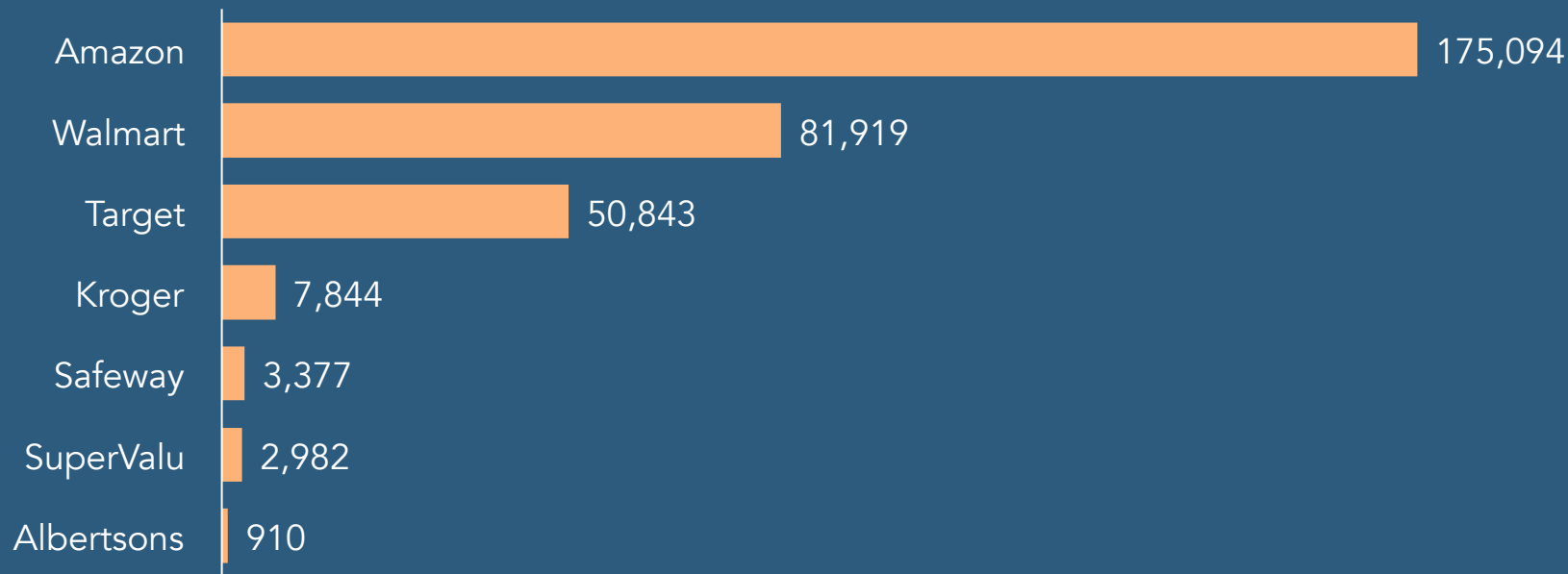


# IN JULY 2016, SUBSCRIPTION-BASED COMPANY DOLLAR SHAVE CLUB WAS ACQUIRED BY UNILEVER FOR \$1 BILLION



# 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*





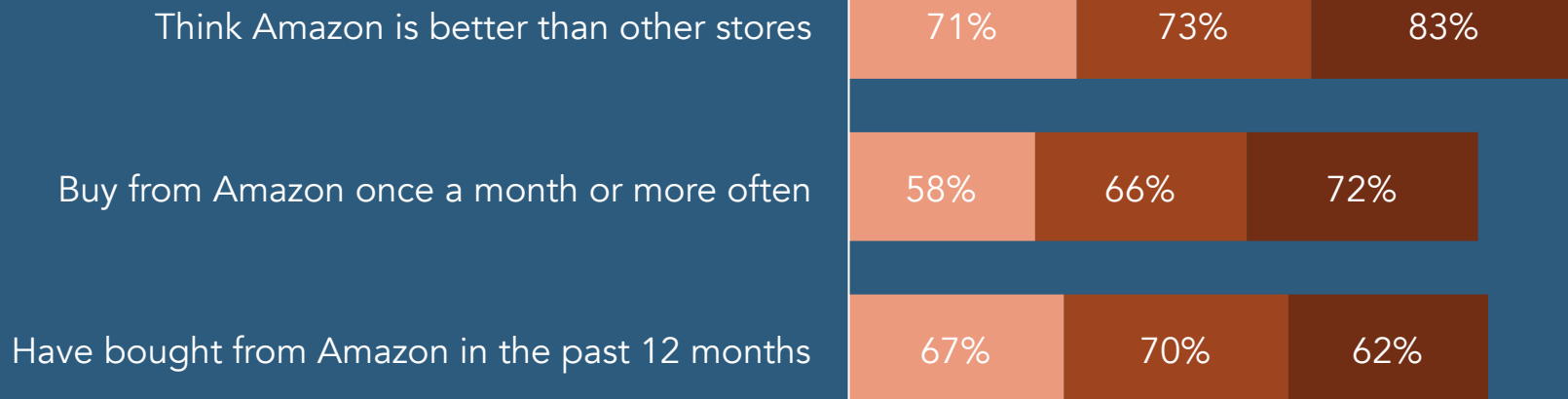
# AND HIGH-END CONSUMERS ARE FLOCKING TO THE E-COMMERCE GIANT IN GREATER NUMBERS

## Affluent US Consumer Behavior On Amazon 2015

■ Affluent consumers (HHI \$75,000+)

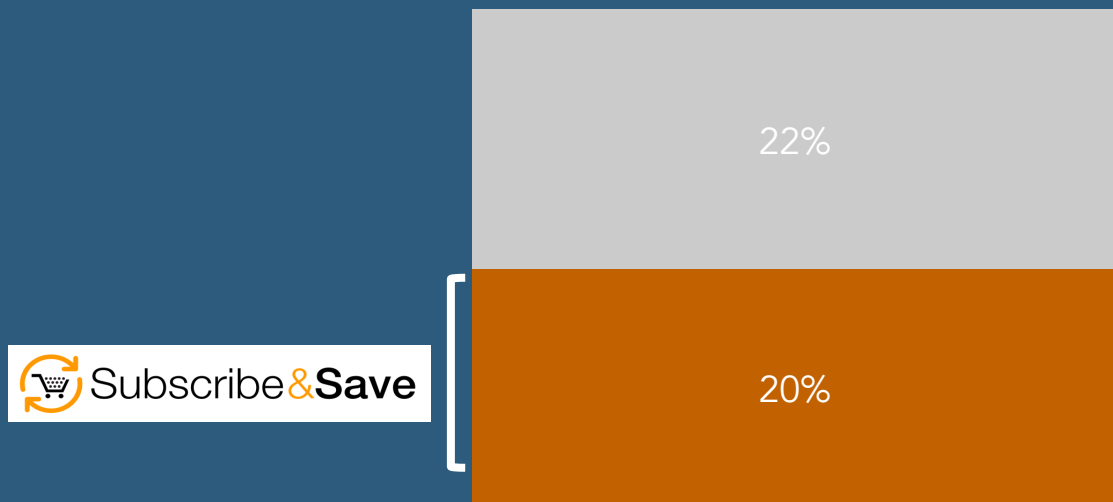
■ Upper affluent consumers (HHI \$250,000+)

■ 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

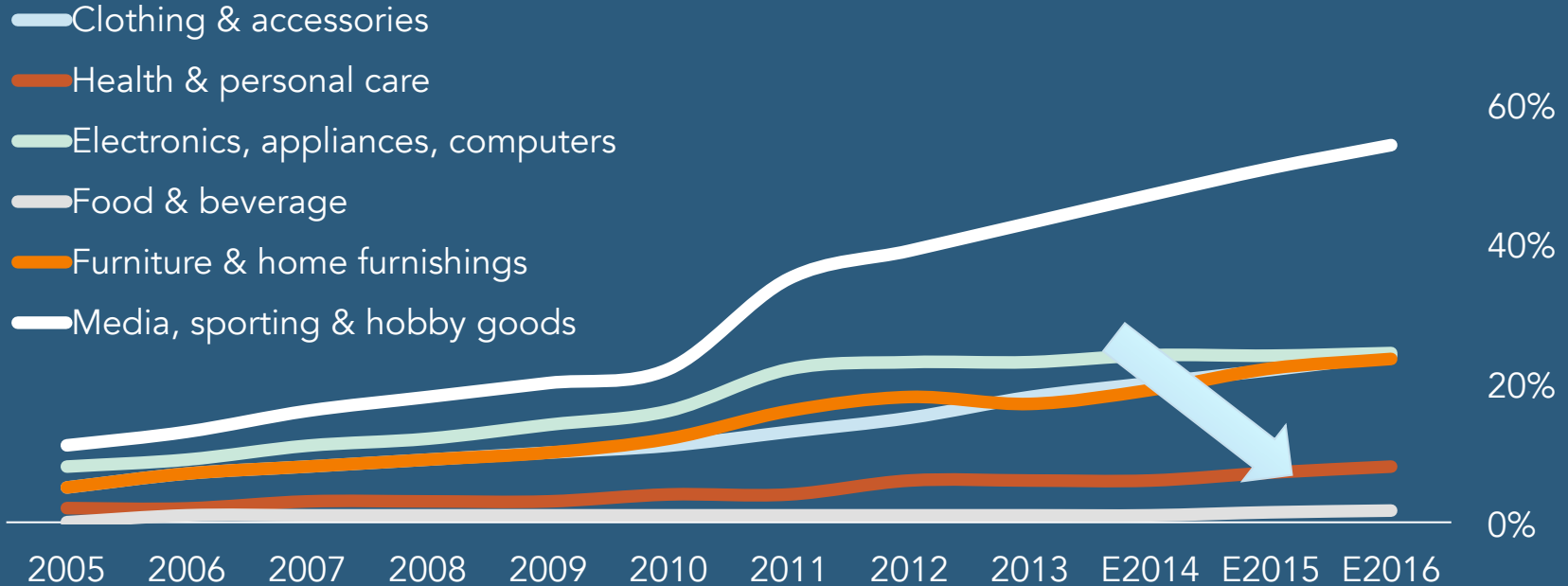
# AND AMAZON'S 2015 LAUNCH OF THE DASH BUTTON MADE REORDERING HOUSEHOLD GOODS AS EASY AS... PUSHING A BUTTON





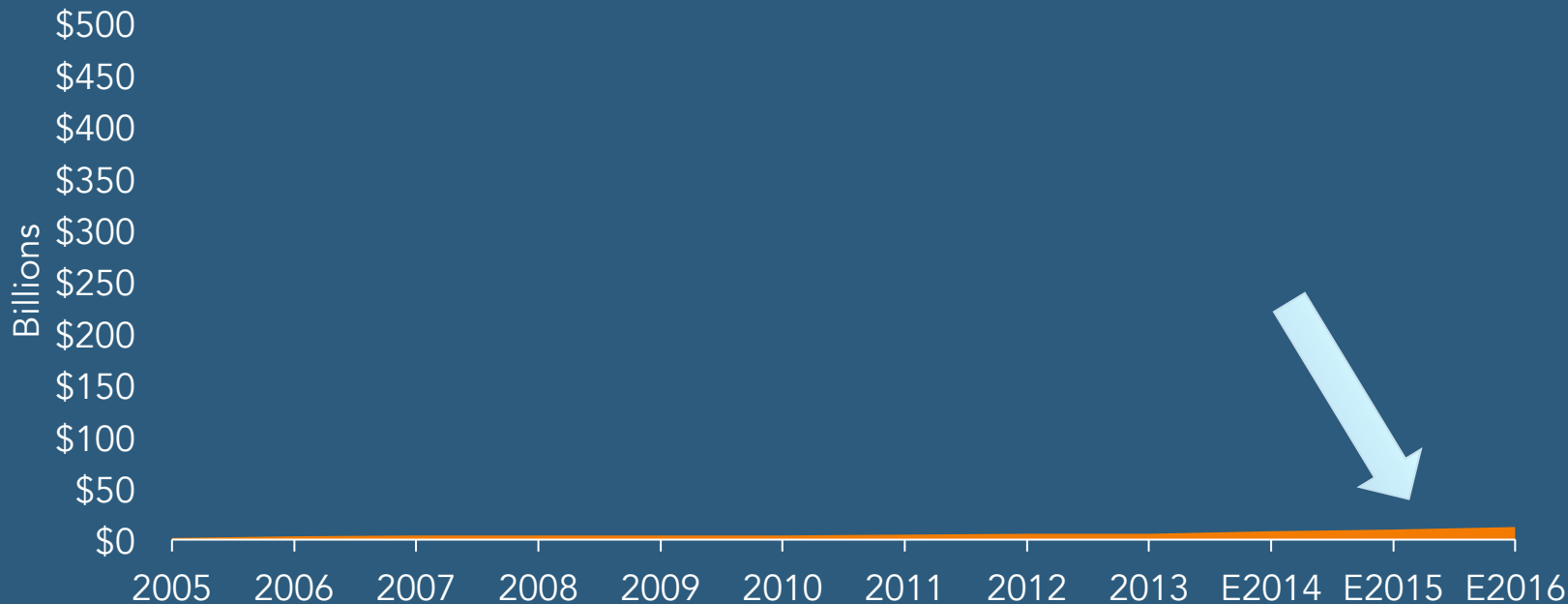
# BUT GROCERIES ARE THE BIGGEST OPPORTUNITY IN E-COMMERCE

## Digital's Share Of US Retail Sales



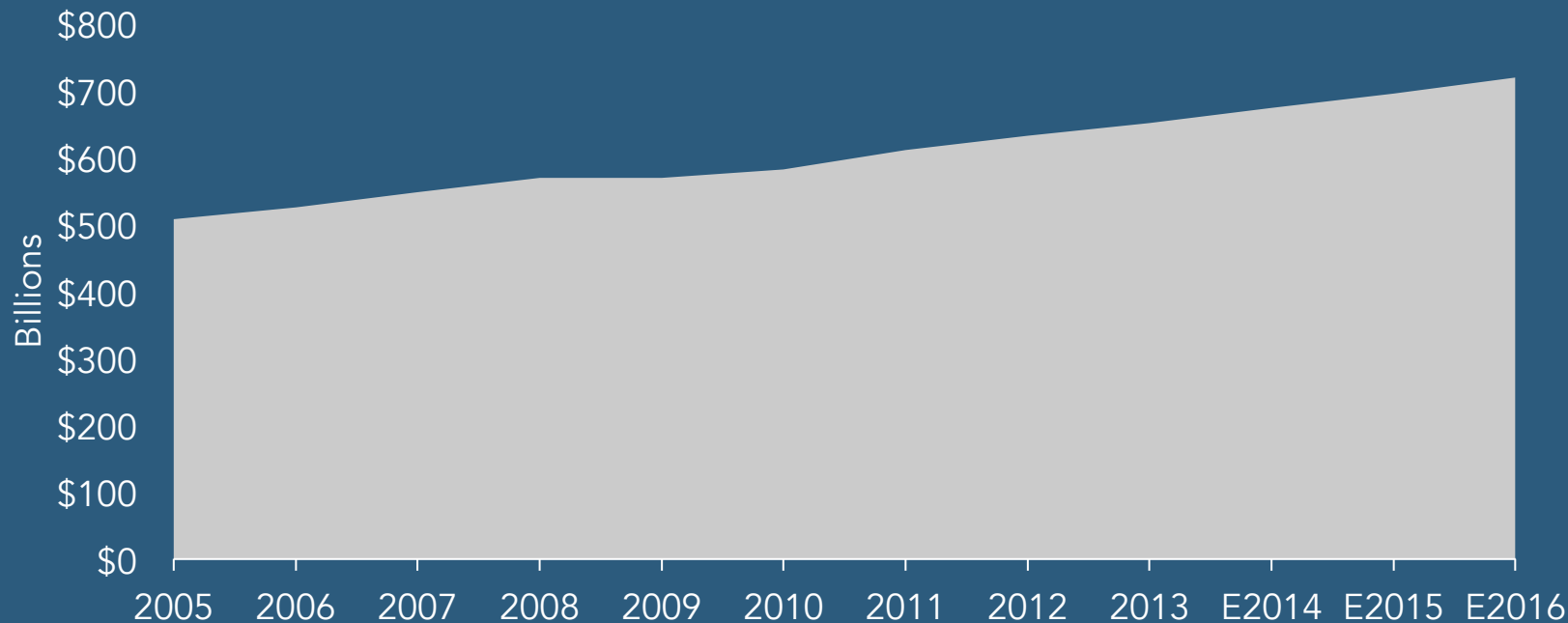
# EVEN THOUGH ONLY 2% OF ALL GROCERY SALES WILL TAKE PLACE ONLINE...

## US Grocery E-Commerce Sales



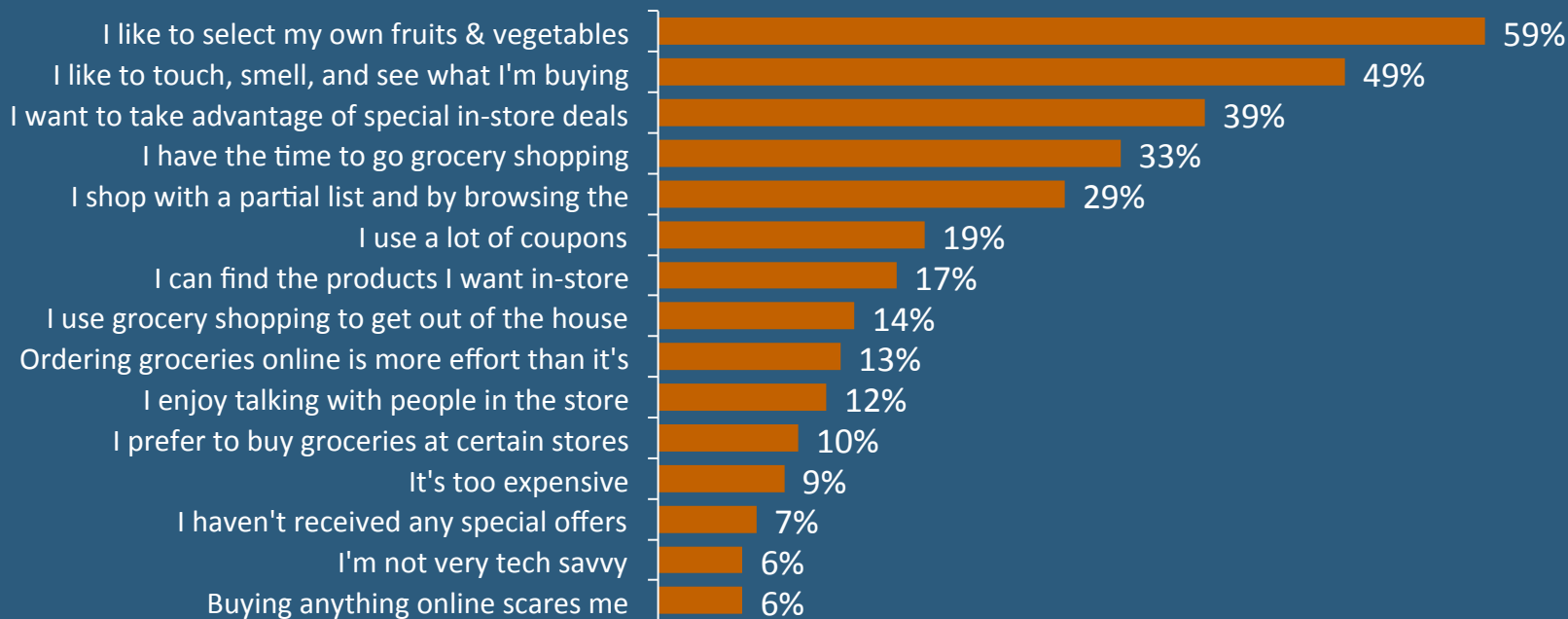
# AMERICANS WILL SPEND OVER \$700 BILLION TOTAL ON GROCERIES IN 2016

## Total US Sales Of Grocery



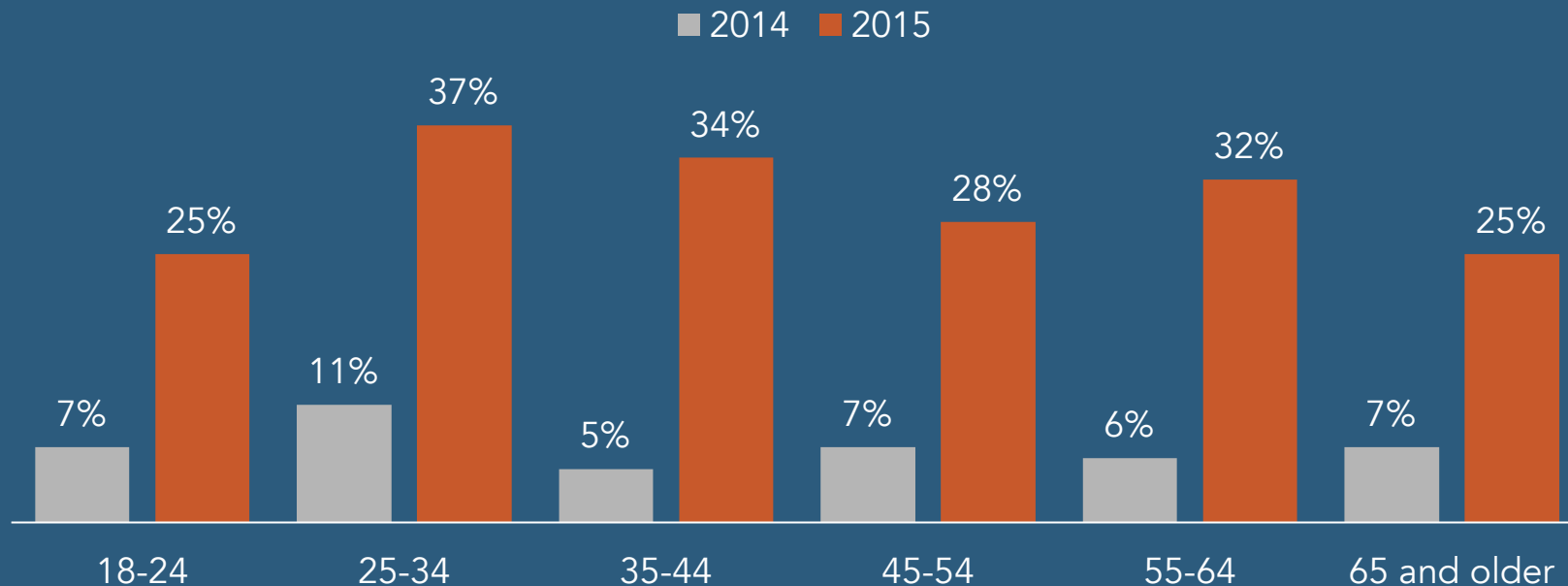
# DESPITE CONSUMER CONCERNS OVER BUYING PERISHABLES ONLINE...

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



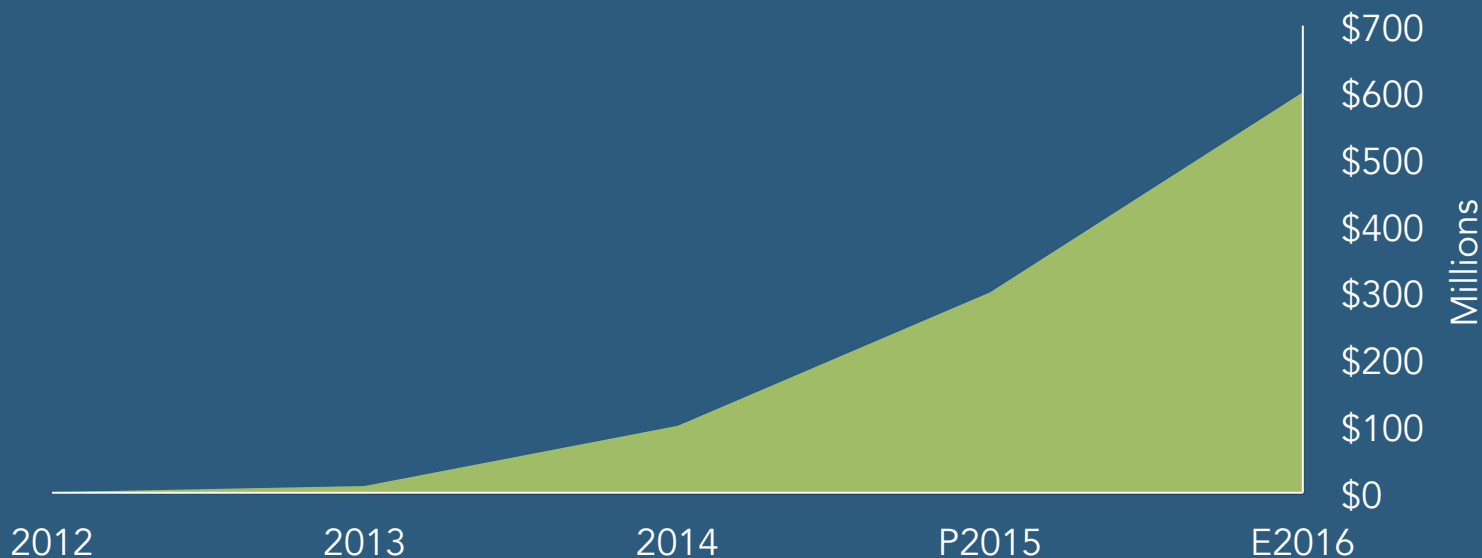
# CONSUMERS OF ALL AGES HAVE SHOWN INTEREST

## US Shoppers That Have Bought Groceries Online



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

## Instacart Annual Sales Handled

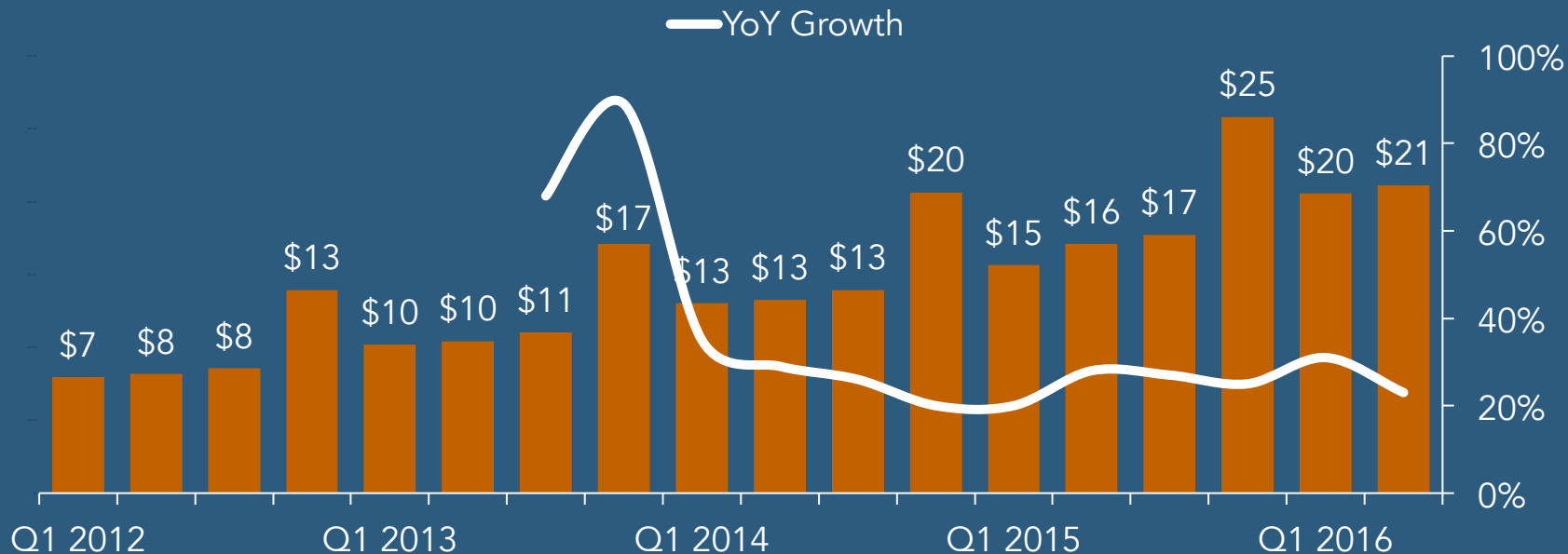


# NOW LET'S SEE HOW E-COMMERCE MASS MERCHANTS ARE PERFORMING — THE RETAILERS THAT SELL ALL OF THESE PRODUCTS



# 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*

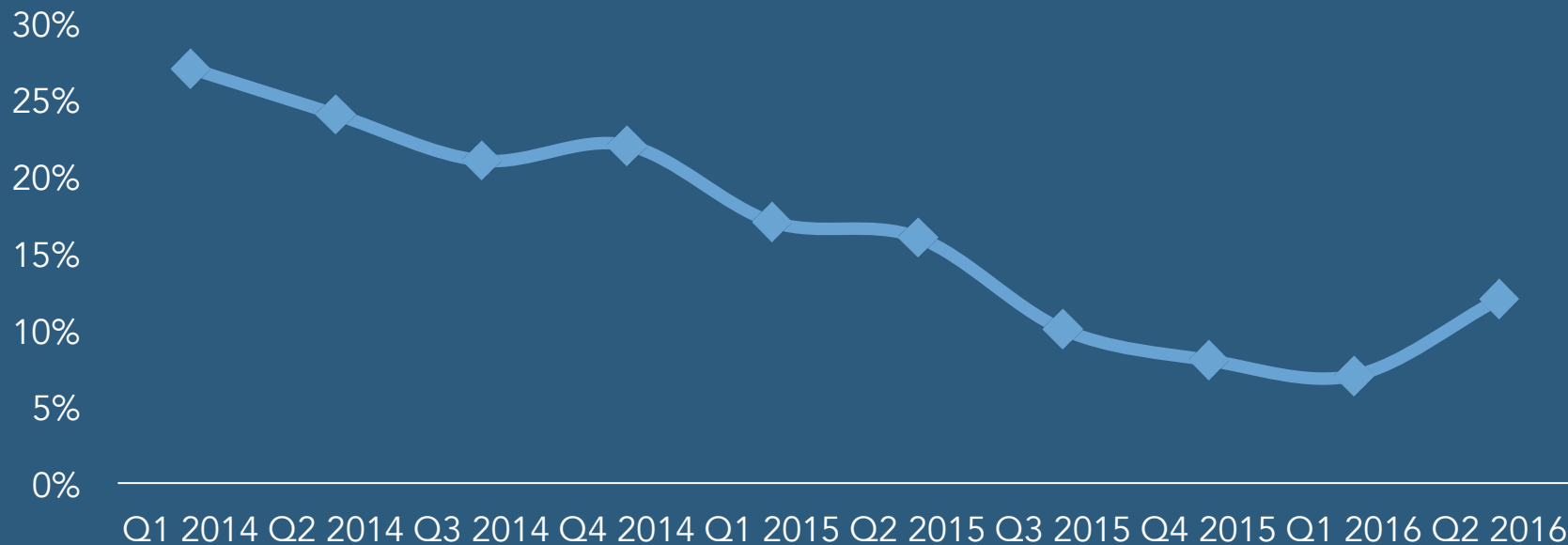


# BUT LEGACY BIG-BOX RETAILERS ARE STILL STRUGGLING TO SUCCESSFULLY SHIFT TO DIGITAL



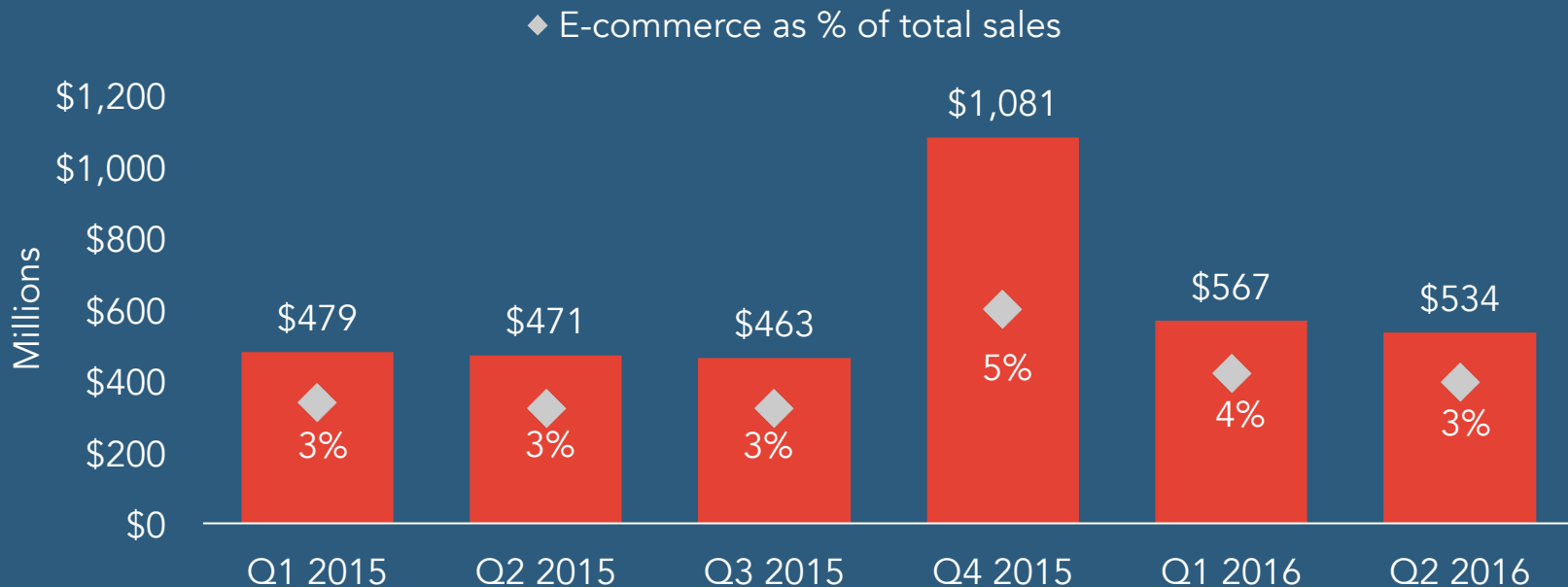
# WALMART'S E-COMMERCE SALES HAVE BEEN SUFFERING

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

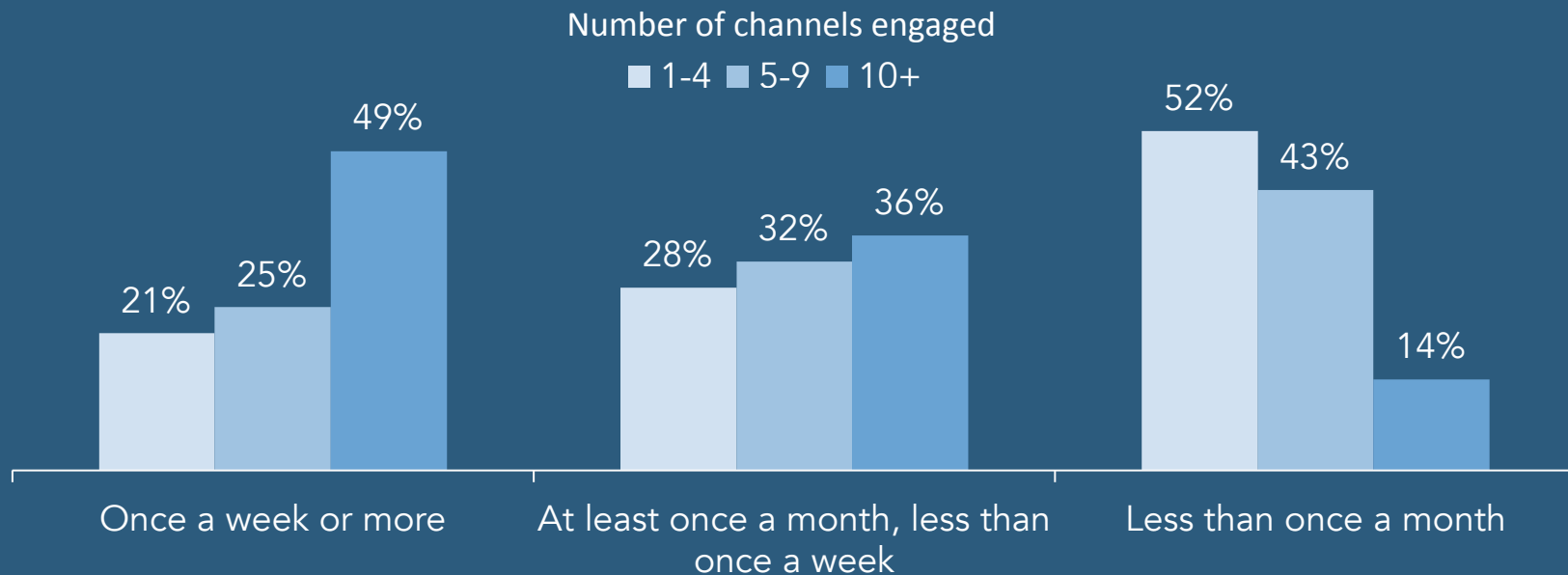


# RETAILERS NEED TO EMBRACE MULTIPLE CHANNELS TO REACH CONSUMERS



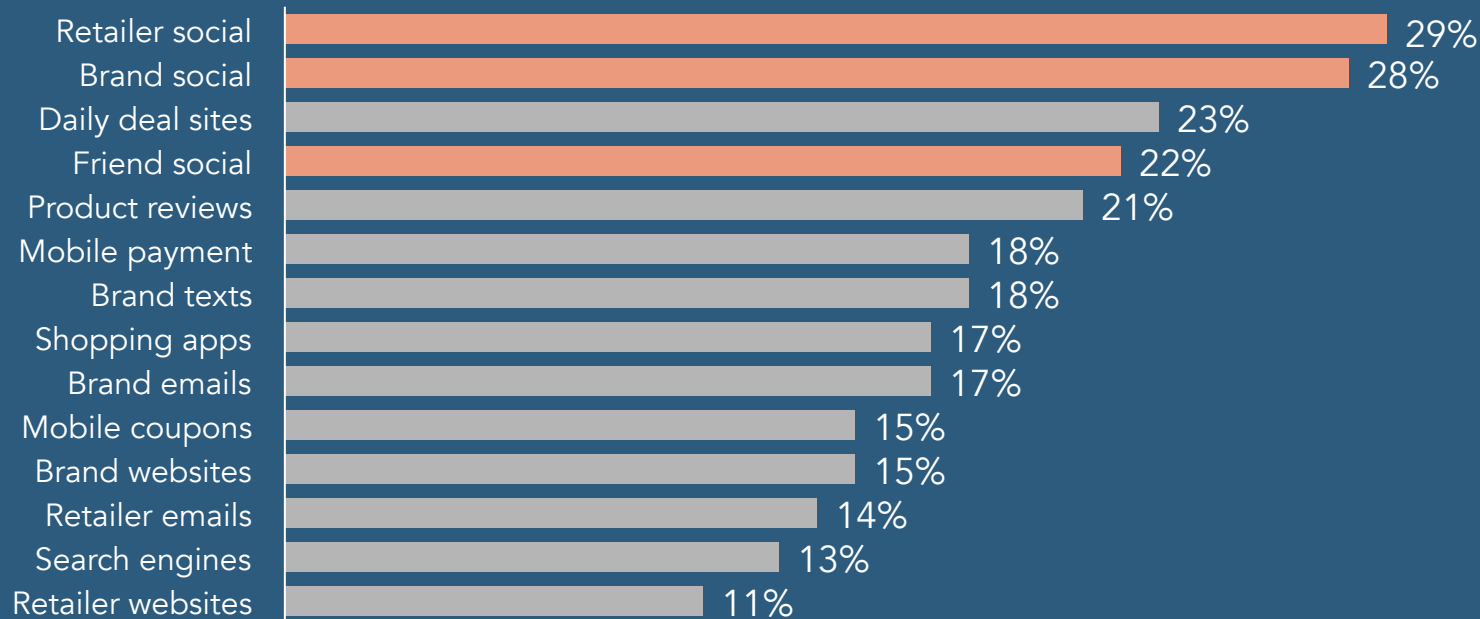
# SHOPPERS THAT ENGAGE WITH RETAILERS ON MULTIPLE CHANNELS MAKE PURCHASES MORE OFTEN

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



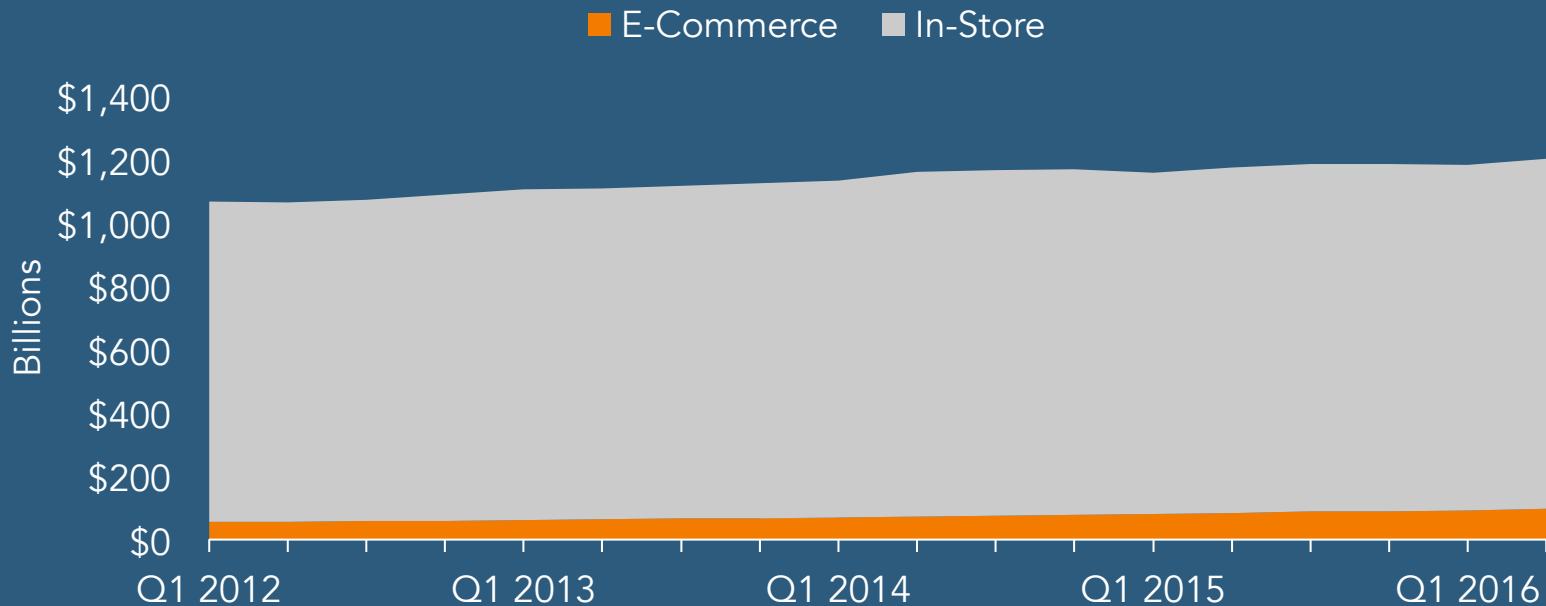
# AND SOCIAL MEDIA IS ONE OF THE MOST IMPORTANT CHANNELS

## 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...

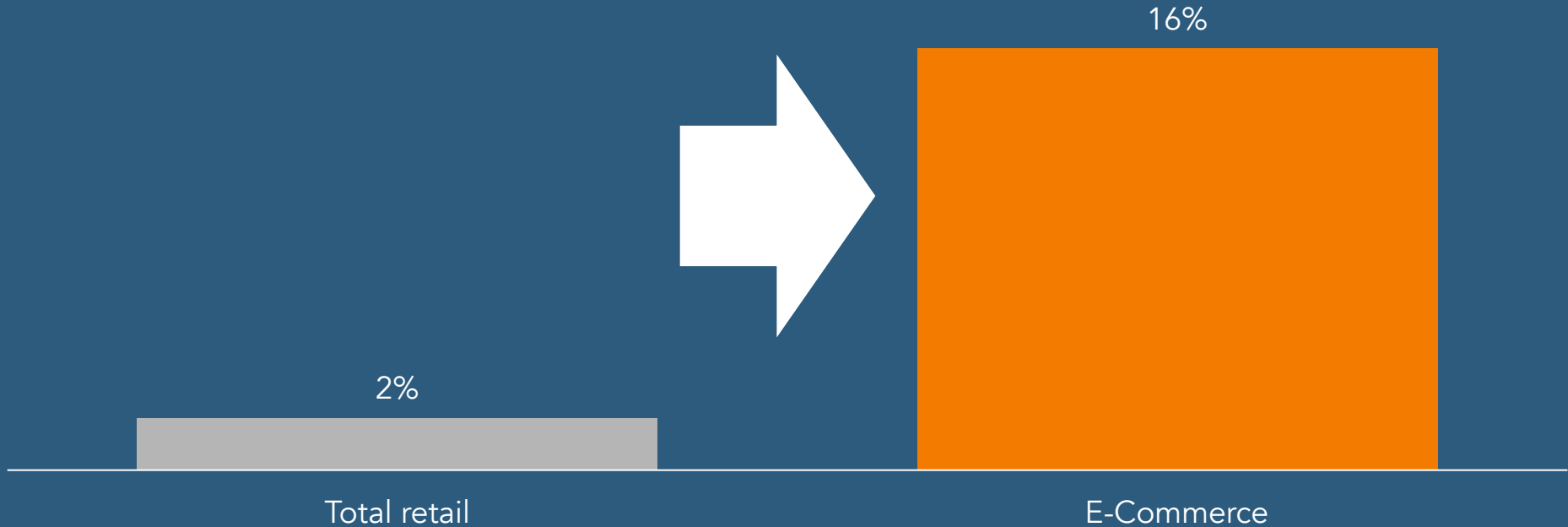
## Overall US Retail Sales





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

## US Retail Average Growth Rate During 1H 2016

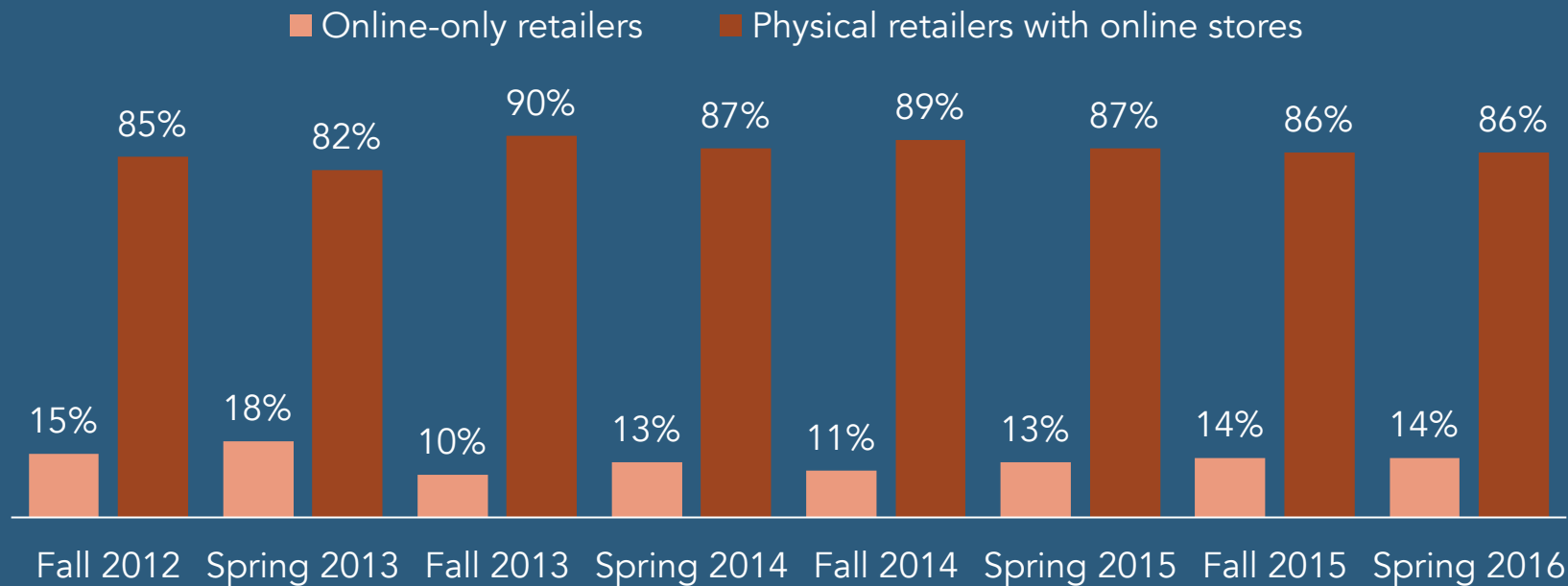


# MAKING IT IMPORTANT TO STRADDLE THE DIVIDE BETWEEN PHYSICAL AND DIGITAL RETAIL



# YOUNGER CONSUMERS HAVE A SUSTAINING INTEREST IN IN-STORE RETAIL

## US Teens' Time Spent In Shopping Channels

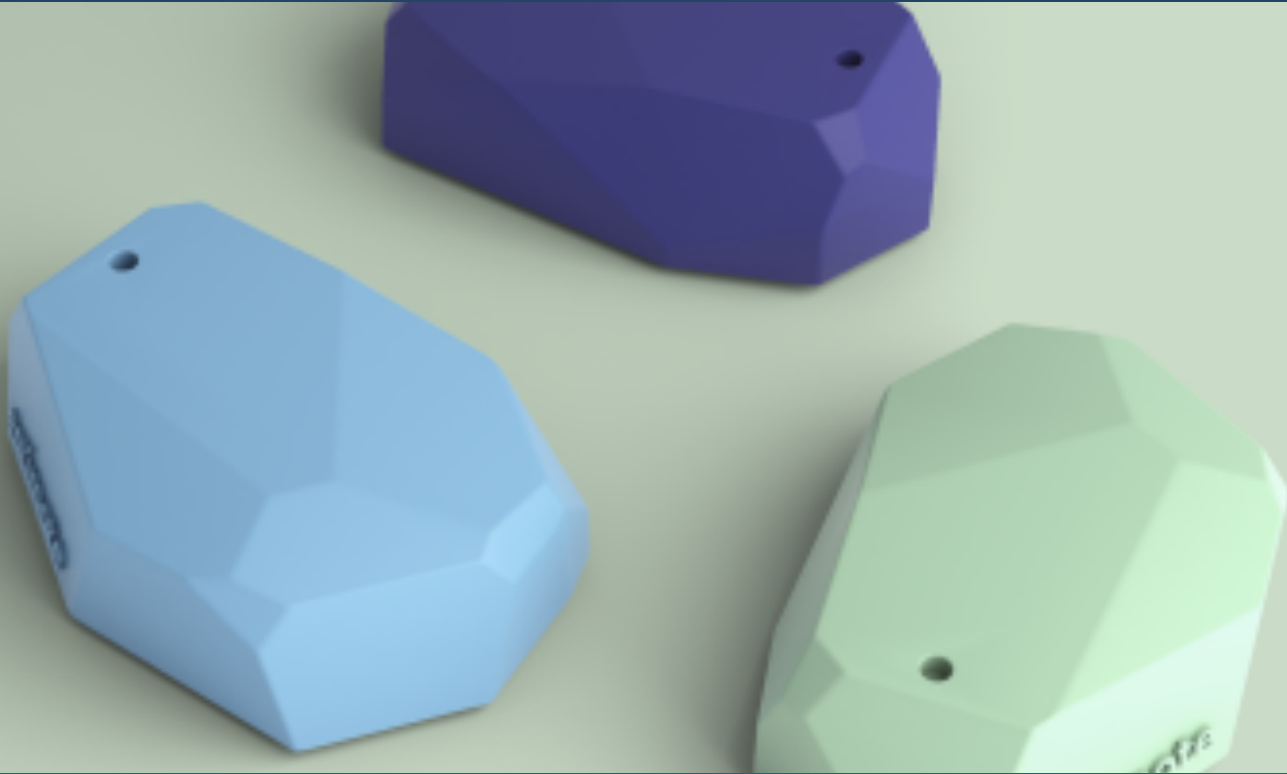


# AND 65% OF MILLENNIALS USE THEIR SMARTPHONE WHILE SHOPPING IN-STORE

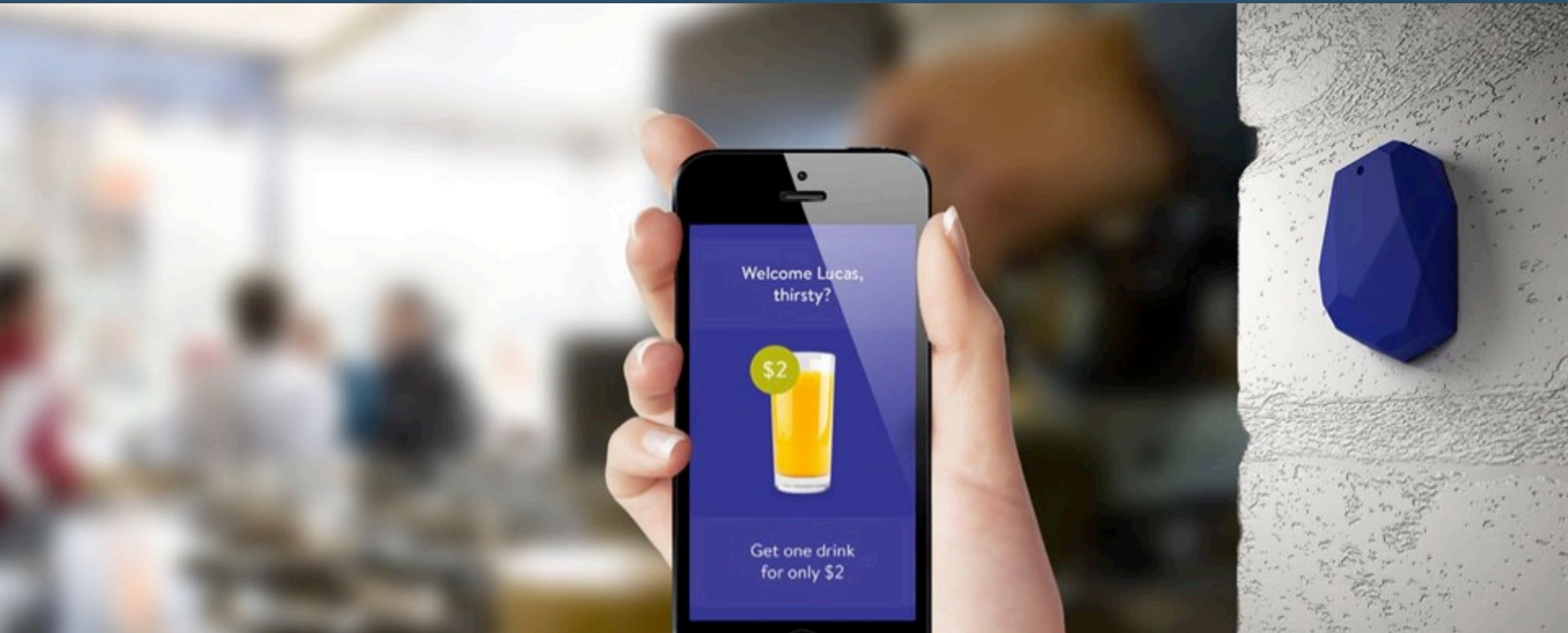
## US Millennial Smartphone Behaviors When Shopping 2016



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



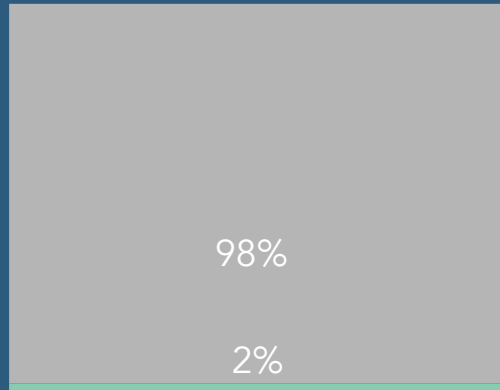
# BEACONS COMMUNICATE WITH IN-STORE SHOPPERS' SMARTPHONE APPS VIA BLUETOOTH



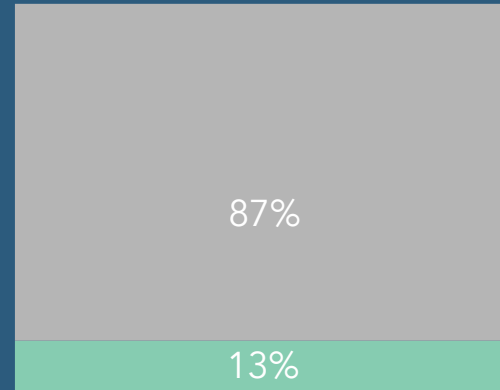
# AND HAVE THE POTENTIAL TO DRIVE UP IN-STORE SALES

## 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

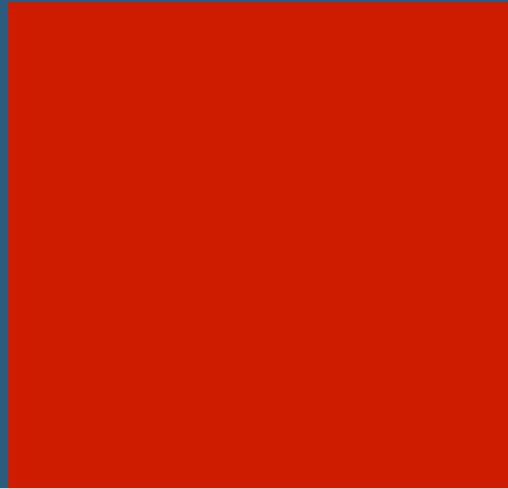




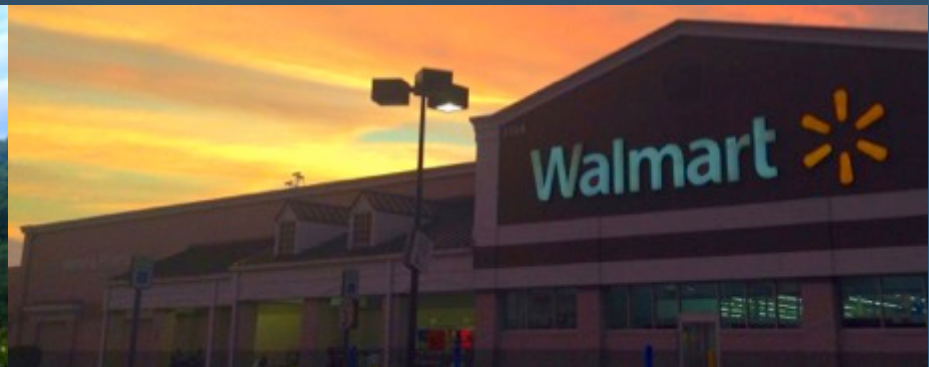
# TARGET SHOPPERS HAVE SAVED OVER \$275 MILLION IN COUPONS AND DISCOUNTS THROUGH CARTWHEEL

**Number Of Target Cartwheel Mobile App Downloads** *In millions*

18



# BEACONS HAVE BEEN ADOPTED BY A NUMBER OF TOP CPG RETAILERS

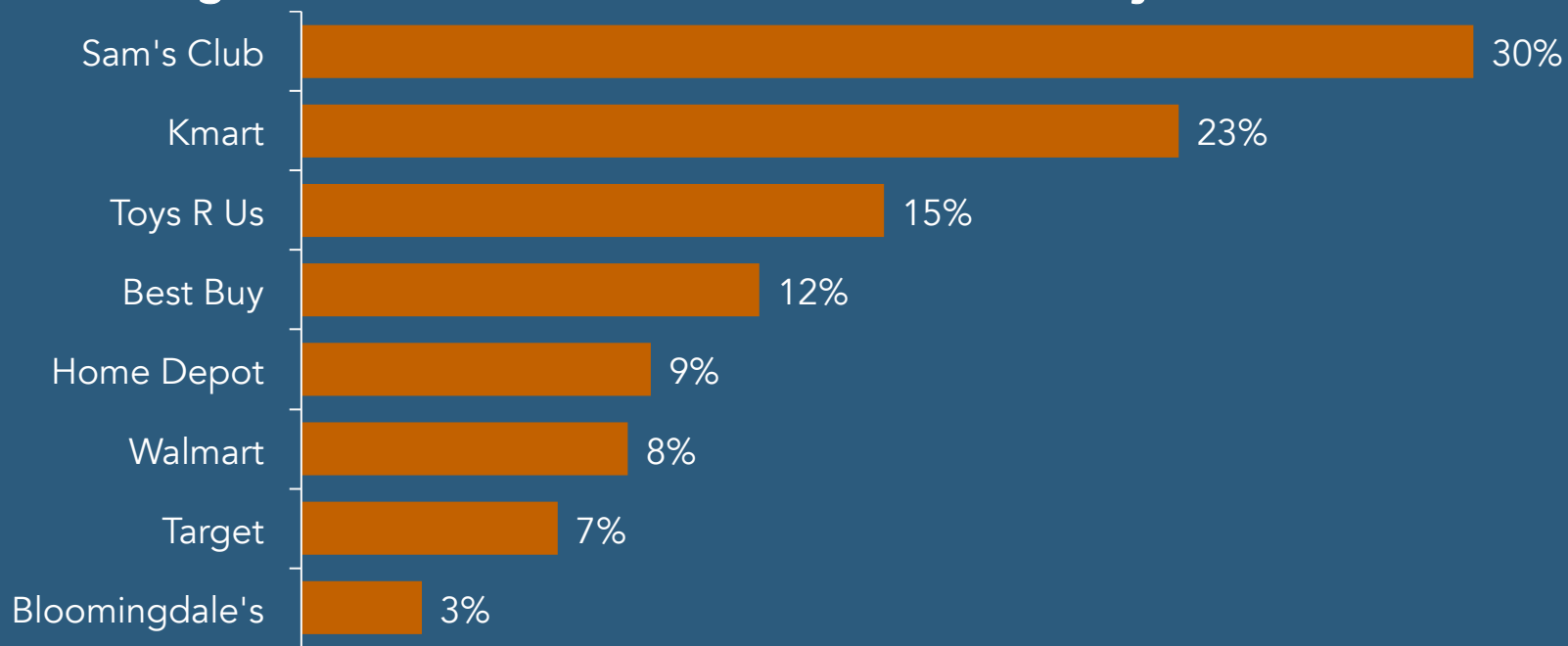


# CLICK AND COLLECT IS ANOTHER CROSS-CHANNEL STRATEGY THAT ALLOWS SHOPPERS TO PICK UP ONLINE ORDERS IN-STORE



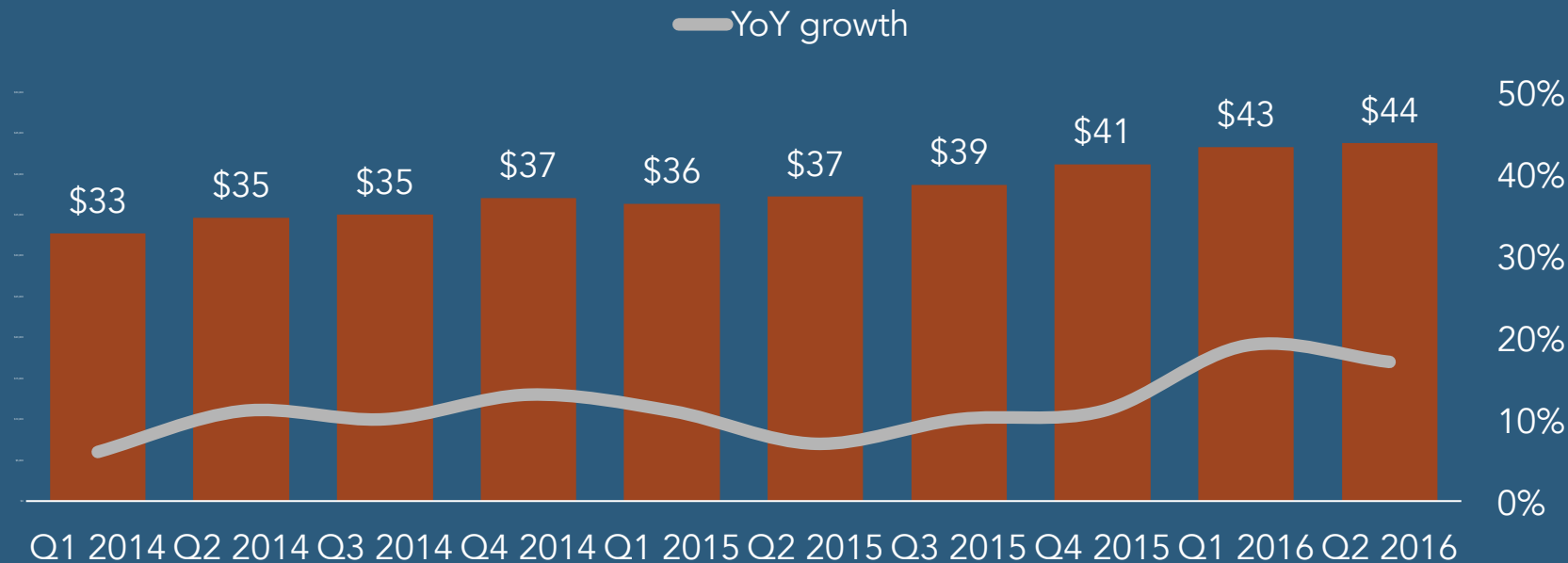
# ONLINE SHOPPERS ARE QUICKLY ADOPTING THIS METHOD, WHICH MADE UP ONE-THIRD OF SAM'S CLUB'S ONLINE SALES IN 2015

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