

MEASURING THE DIGITAL WORLD

**comSCORE**



## **State of the U.S. Online Retail Economy**

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Chairman  
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# State of the Retail Economy

## Presented by Gian Fulgoni

comSCORE



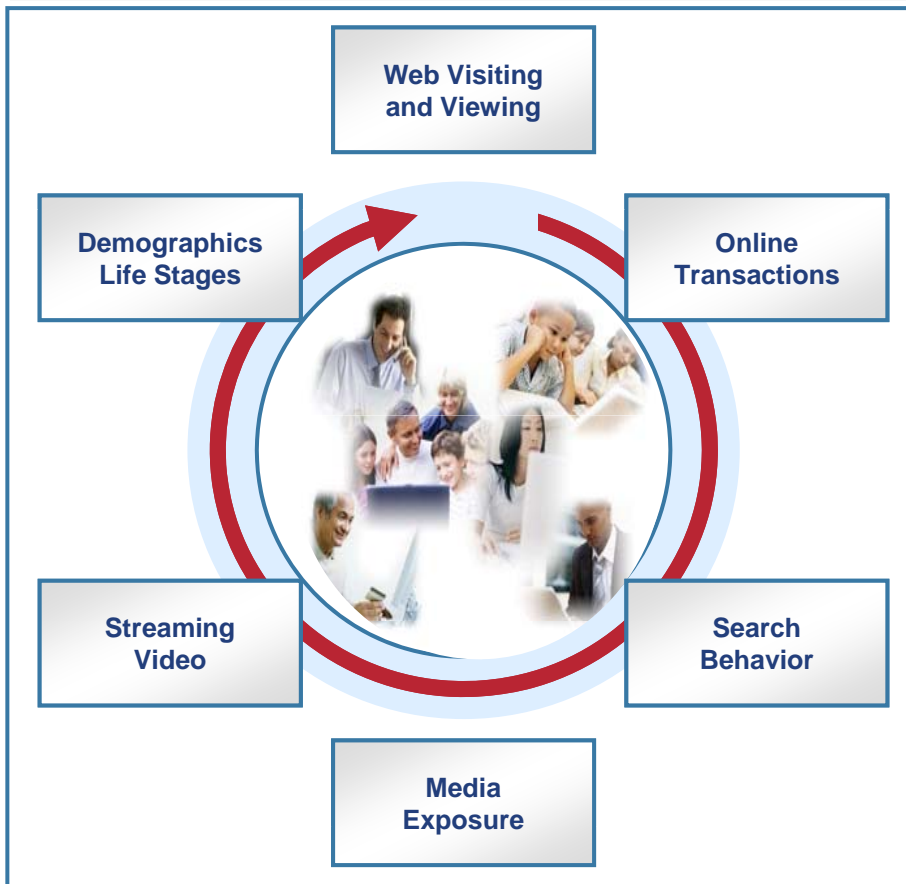
### Gian M. Fulgoni

- Co-founder and Chairman of comScore, Inc.
- Prior, CEO of Information Resources, Inc. (IRI), a leading provider of information to the consumer packaged goods industry.
- Recipient of numerous industry awards: The Chicago Area Entrepreneurship Hall of Fame, the Illinois Entrepreneur of the Year, the Wall Street Transcript Award, 2008 E&Y Entrepreneur of the Year..
- Master's degree in Marketing and a B.Sc. in Physics.

# Data sourced from comScore's global panel of 2MM Internet users



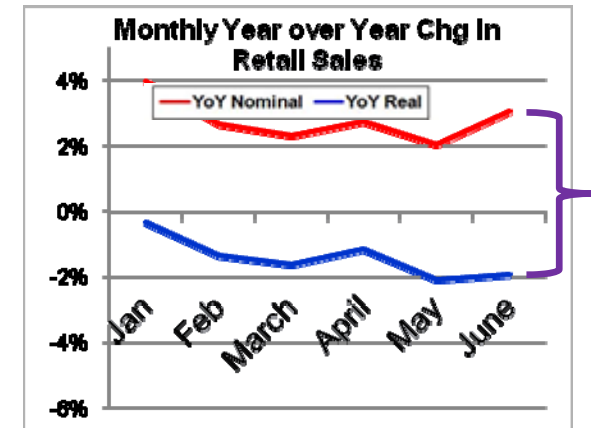
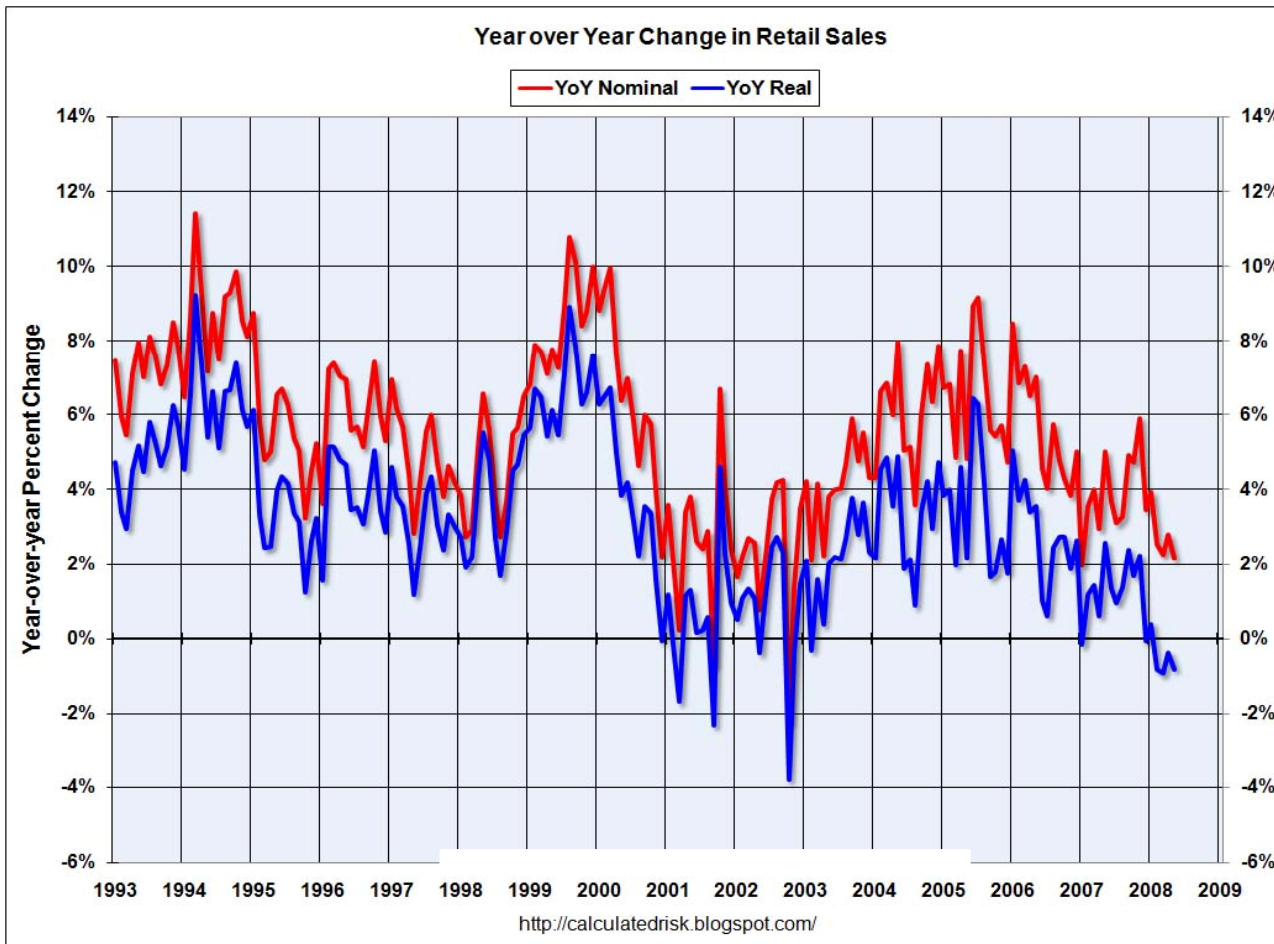
## 360° View of Consumer Behavior



## Analysis Parameters

- ✓ Commerce on U.S. Sites
- ✓ Behavioral activity through June 2008
- ✓ Survey issued in July 2008, n = 1036
- ✓ Consumer Measurements:
  - Visiting
  - Buying
  - Demographics
  - Attitudes
  - Search
- ✓ Retailer Views:
  - Multi-Channel Vs. Pure Play
  - Product Categories

# In 2008, inflation adjusted retail sales have been below year ago levels



June of 2008: Inflation hit its highest point in 27 years

Source: U.S. Labor Department

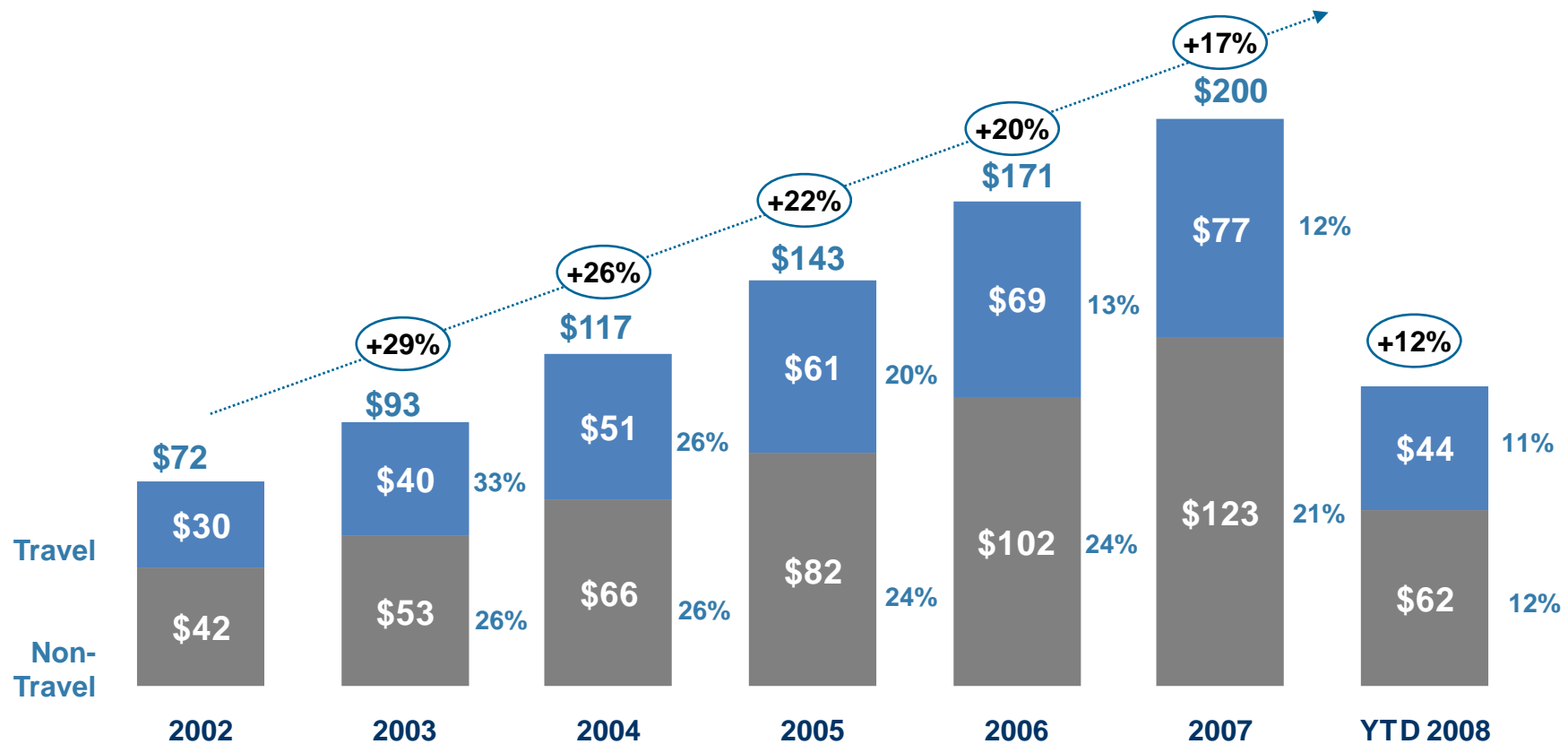
Year-to-date (through Q2) e-commerce sales posted a 12% gain versus the same period last year



## Online Consumer Dollar Sales Growth

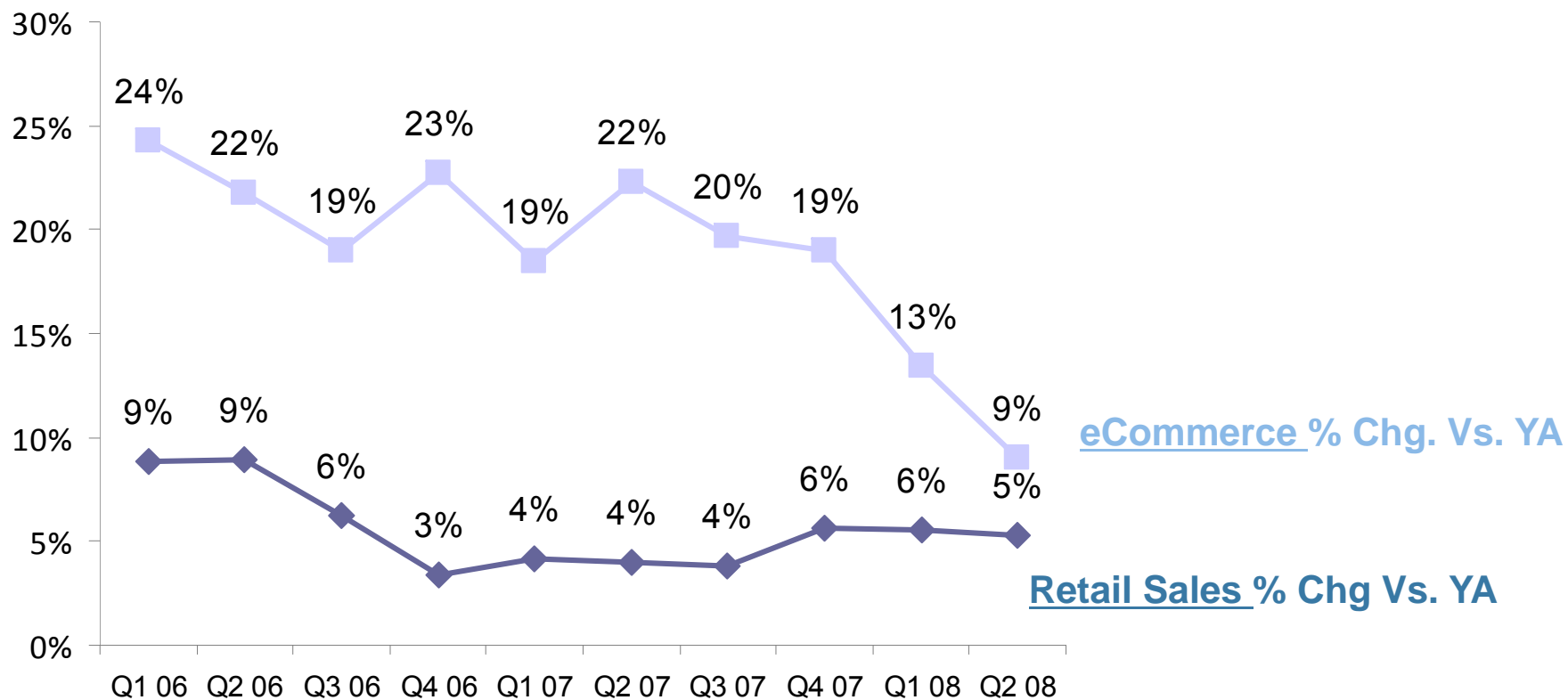
Excluding Auctions , Autos and Managed Travel (\$Billions)

Source: comScore



# Sharper drop in H1:2008 e-commerce growth than retail sales suggests offline spending is dragging down e-commerce

**Percent Sales Growth Vs. YA**  
Source: U.S. Commerce Department

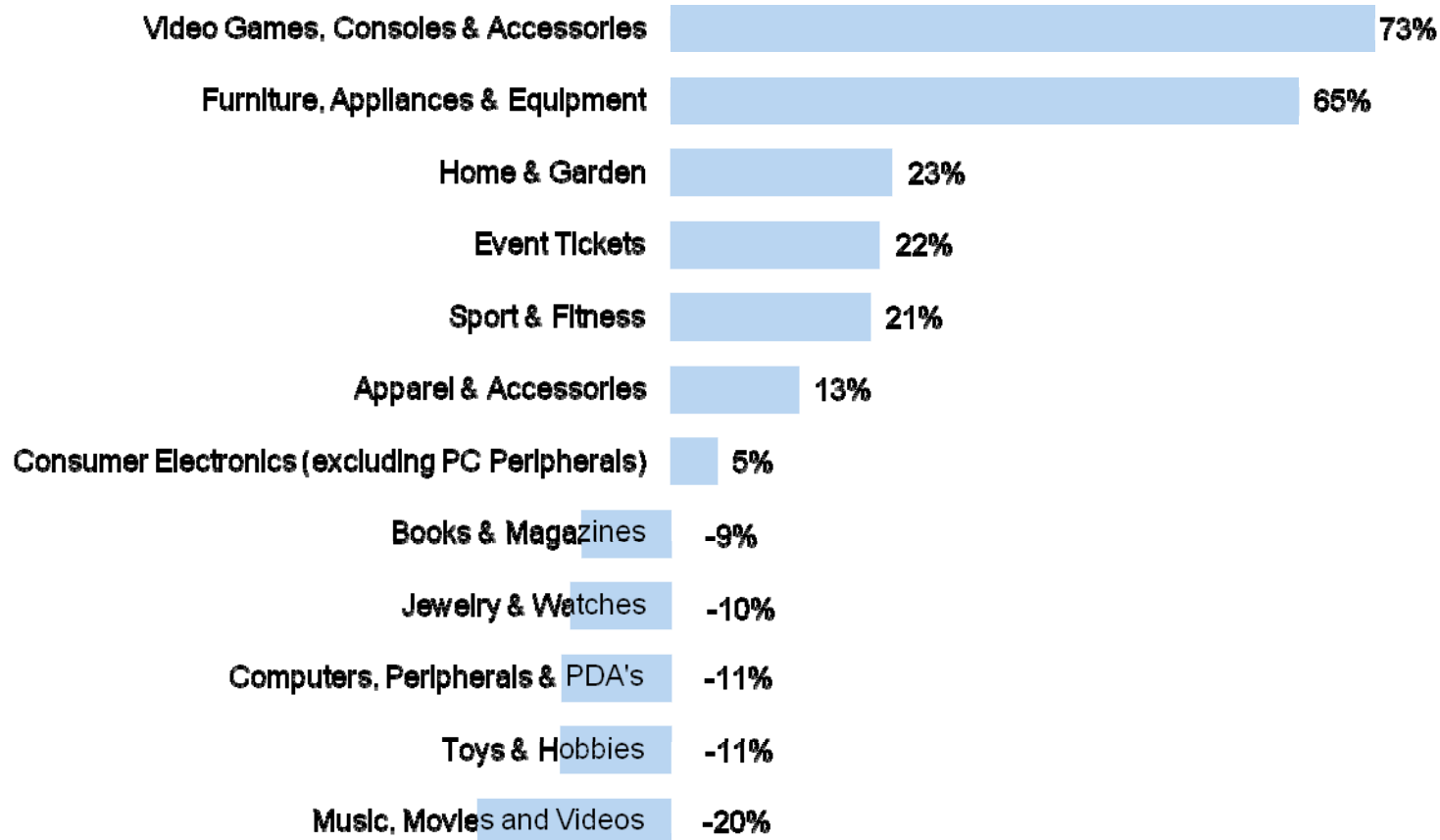


# Furniture & Appliances and some Entertainment categories posted strong year-over-year growth, while several other categories recorded softer figures or sales declines



## Q2 2008 Category Online Dollars % Change Vs. YA

Source: comScore



## The Consumer Perspective in Q2



- Price increases in gas and food (both bought offline) have shrunk many consumers' disposable income, putting pressure on e-commerce sales.
- Nonetheless, growth in e-commerce sales continues to outpace retail sales growth
- Price and inflation concerns (67%) far outweighed job security (14%), stock market (8%) and housing issues (5%)
- 82% of consumers cut back spending in Q2 because of concerns about the economy
- Less than 40% of consumers spent their tax rebate dollars on incremental purchases. The majority used it to pay off debt or added to savings.

The logo for comSCORE, featuring the word "comSCORE" in a white, sans-serif font. The letter "o" is replaced by a glowing yellow sun with rays. The logo is set against a black background.

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A large, light gray world map composed of a grid of small squares, serving as a background for the lower half of the slide. The map is centered and covers most of the width of the slide.

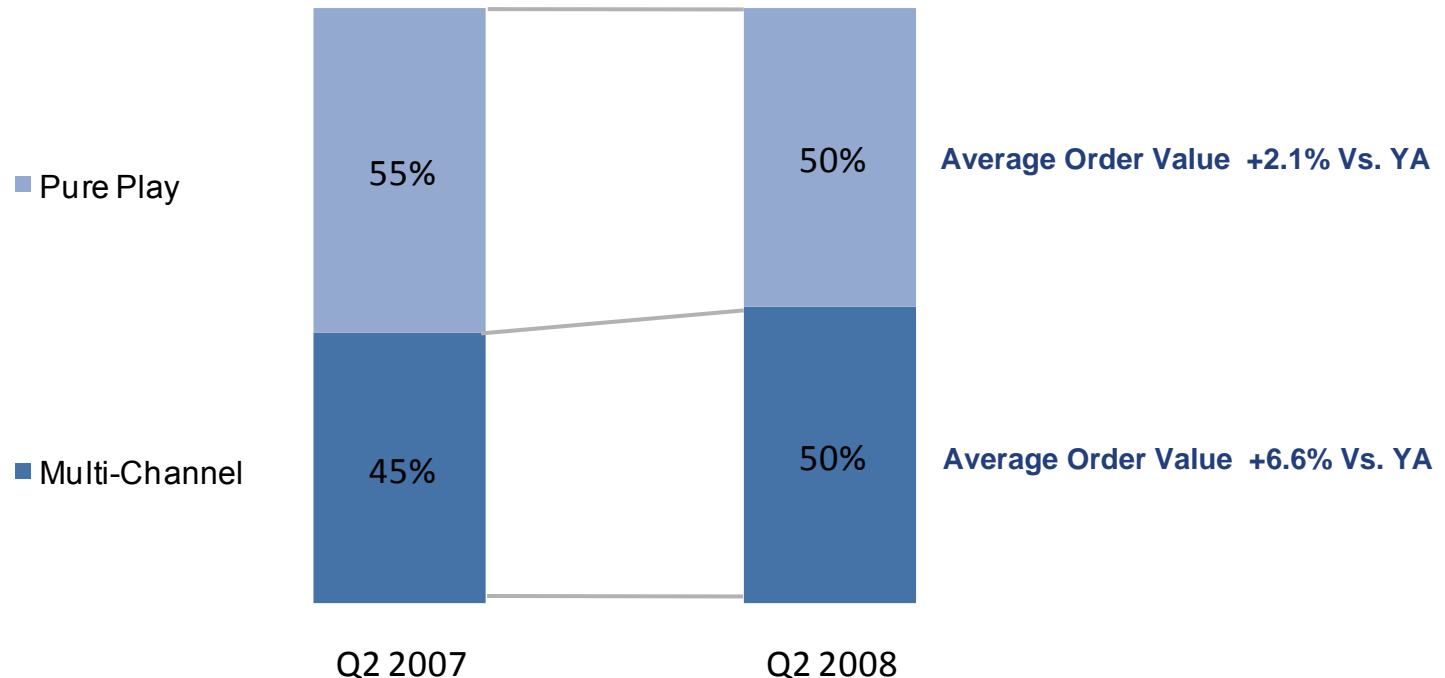
## Consumer Spending Patterns: Retailer Trends

# Multi-Channel retailers gained five dollar share points in Q2 versus last year and posted higher order values



## Retailer Dollar Share by Channel Type

Source: comScore, Inc.



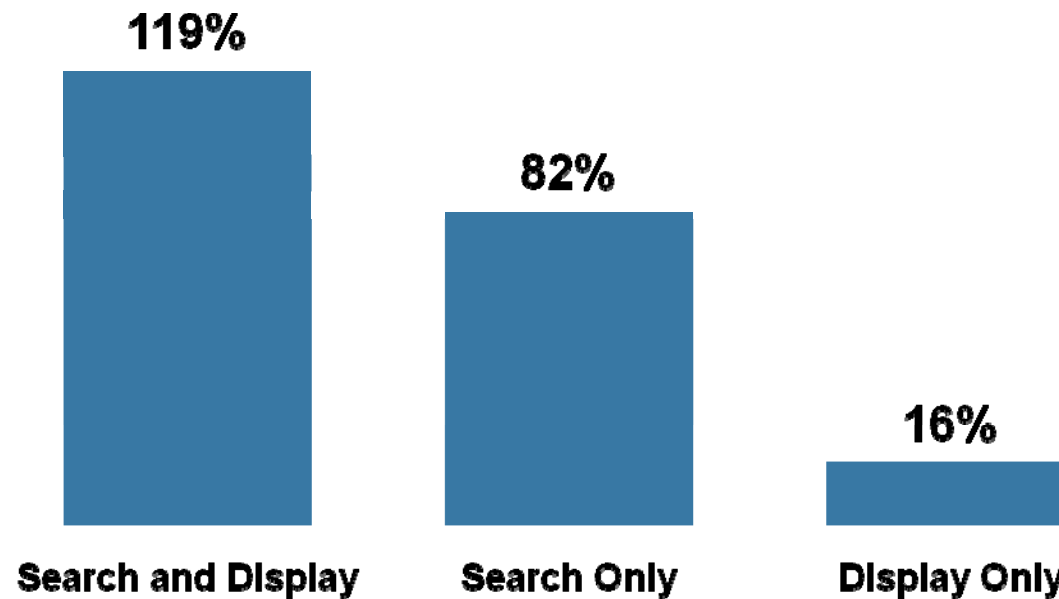
**Multi-channel retailers attracted to the Internet by higher sales growth rates, attractive ad rates and the ability to grow e-commerce as well as retail sales through online advertising campaigns**

# How Display and Search Advertising Impact **Offline** Retail Sales



Higher offline sales lifts are found for search advertising vs. display but when combined the synergy provides even more lift

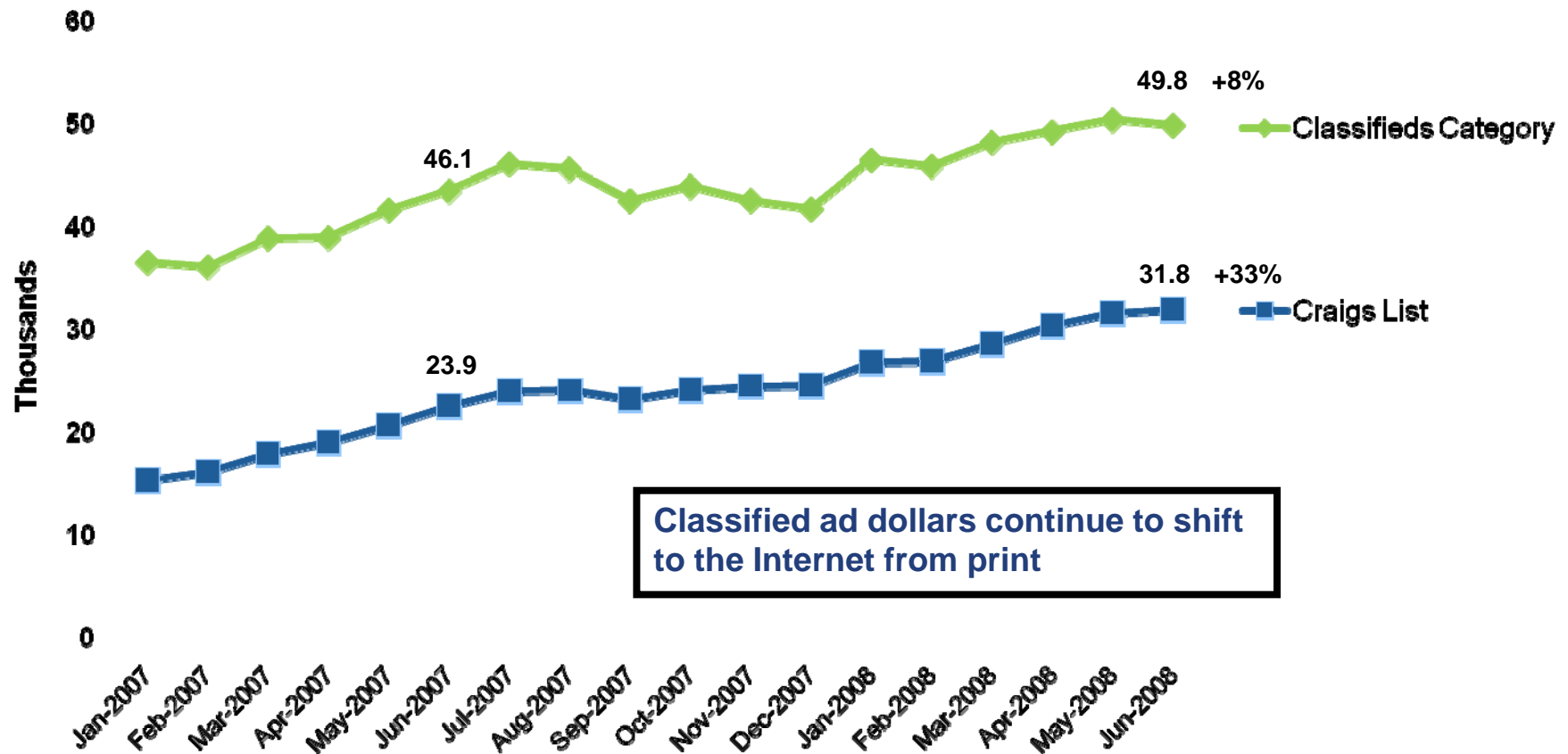
## Incremental Impact on Offline Sales per (000) Exposed



Source: Norms from the comScore Ad Effectiveness Database, N = 137 Studies

It appears that the online classifieds market is also increasingly important to consumers during these tighter economic times.

### Monthly Unique Visitors (000)



Classified ad dollars continue to shift to the Internet from print

Source: comScore Media Metrix



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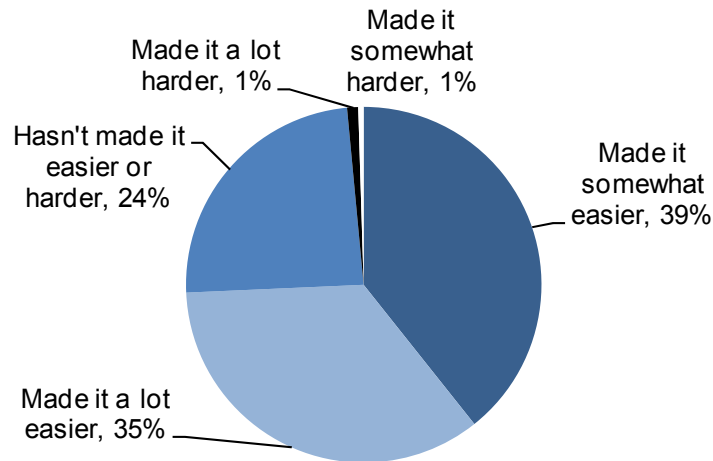
**Consumer Search and Referral Activity**

# Three out of four people stated that the Internet will play a more important role in providing pricing information in the future



## Pricing Information and the Internet

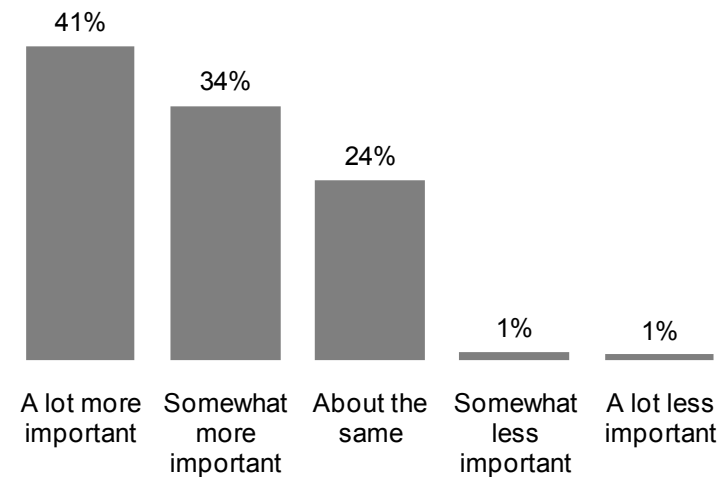
Source: comScore Survey July 2008



**Q: To what extent has the Internet allowed you to find better, more useful pricing information?**

## Pricing Information Importance

Source: comScore Survey July 2008

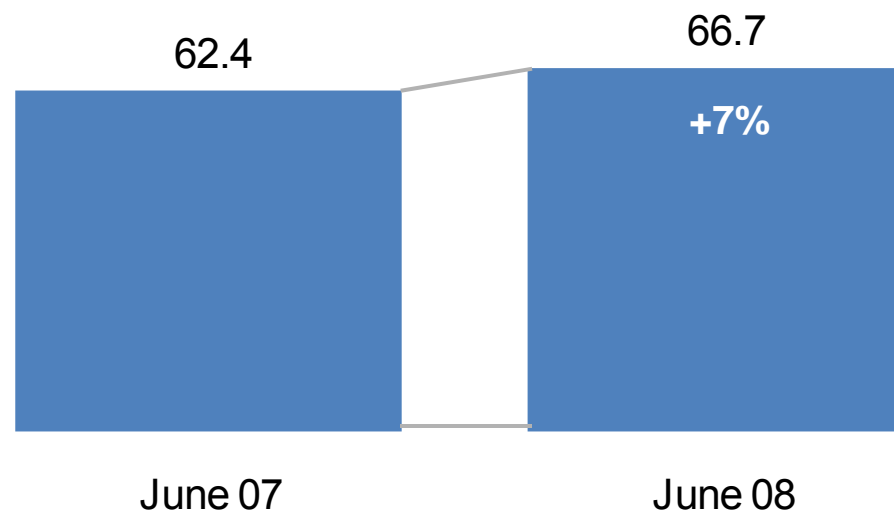


**Q: How important do you think the Internet will become for providing information about pricing?**

# Increased consumer use of comparison shopping engines signals more discriminating purchase behavior

## Comparison Shopping Engine Usage Unique Visitors (MM)

Source: comScore Media Metrix



- Growth in online spending has slowed significantly in 2008 compared to previous years. Nonetheless, e-commerce growth rates remain higher than retail, where real growth (adjusted for inflation) has been negative throughout 2008.
- Inflation in food and energy prices was far and away the most important economic concern for all consumer income segments, reducing their disposable income and slowing the growth in e-commerce
- Despite the deteriorating economic conditions, some individual retailers (notably Amazon) have gained online market share. Multi-channel retailers as a group have also gained share, reflecting their increased focus on the Internet as a means of growing revenues, both online and offline.
- The Internet continues to play an increasingly important role as a resource for helping consumers to find the best prices. SEO and SEM initiatives have never been more important, nor has the effective use of eMail marketing.
- As competitors are merely a click away online, retailers' marketing tactics and strategies need to be developed with a view towards meeting consumers' price requirements.