

June 2013

DIGITAL INSIGHTS

eCommerce



ADD TO BASKET

- Even more growth worldwide for B2C e-Commerce
- 'Turning point' for Axel Springer: Digital sales push growth
- Has Rakuten made a breakthrough in the German market with its 'Super Sale' and 'Happy Commerce'?
- Adidas is focusing on digital retail with its 'Next Generation Fashion Store'
- 360buy Rebrands to JD.com and Nabs Another Huge Investor
- How are traders reacting to ever increasing e-commerce turnover?
- 55 million Chinese shop on their mobile phones

aquarius Digital Insights - eCommerce

In the series „aquarius Digital Insights“ we intermittently collect and publish the most impressive trends and recent developments from various segments of digital business.

In this edition on „eCommerce“ we have assembled the following interesting topics:

- Even more growth worldwide for B2C e-Commerce
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- Has Rakuten made a breakthrough in the German market with its 'Super Sale' and 'Happy Commerce'?
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- 55 million Chinese shop on their mobile phones

If you have any question regarding „eCommerce“ or other digital topics, please do not hesitate to contact us!

Enjoy reading!



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Even more growth worldwide for B2C e-Commerce

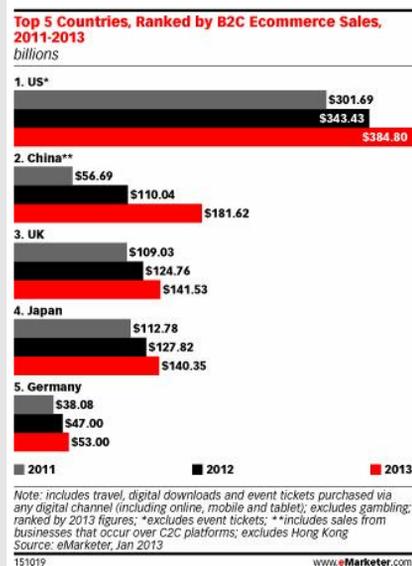
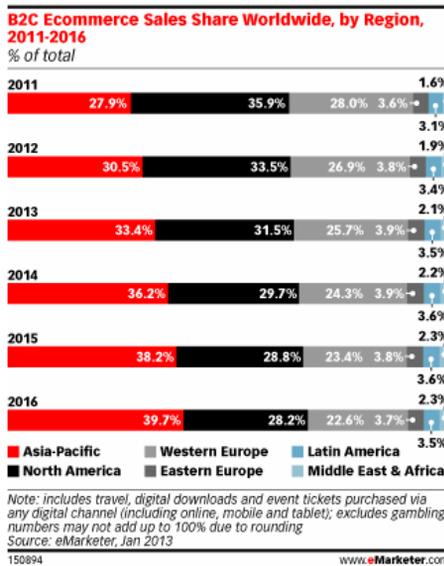
February 2013



Regardless whether it's in Germany, the USA, India, China or Turkey: More and more people are using the Internet to shop online. Powered by mobile technology, e-Commerce has held on in spite of difficult economic conditions and provided consumers with a range of economic and shopping models. The market researchers from eMarketer estimate the number of online buyers to be around 900 million worldwide. This brought in the online traders worldwide a turnover of over one billion US\$ (+21% YoY) for the first time.

Here are some interesting details: Online-shopping is becoming more and more popular in China. 220 million Chinese consumers made purchases online. The e-Commerce sales there amounted to about 110 billion US\$. In 2013, the share of sales in the Asia-Pacific region at 33.4% should be greater than those in North America(31.5%). The Top 5 e-Commerce countries are: USA (343 billion US\$), China (110 billion US\$), UK (125 billion US\$), Japan (128 billion US\$) and Germany (47 billion US\$). The eMarketers still estimate the British to be the biggest spenders per head where on average every online buyer spent 3,885 US\$ in 2012.

For the first time, turnover of more than a billion US\$ in BC2 e-Commercee



Quelle: eMarketer, 2012

E.g Amazon: The biggest e-Commerce provider in the world is pursuing an aggressive growth strategy

The best example of the disruptive strength of e-Commerce is, of course, Amazon. And its latest announcement to the US security agency SEC caused a stir. For the first time figures for Germany were declared separately and astonishingly Germany, not Great Britain, is the foreign market with the biggest turnover: The German Amazon shop brought in 8.7 billion US\$ last year, compared to the 6.5 billion US\$ from the UK (with a worldwide turnover in 2012 of around 61.1 billion US\$). According to the calculations of the FAZ, Amazon controls almost a quarter of the German mail order business with around 22% and around 1.5% of the whole retail industry (national and retail trading)!. If we exclude the food industry sales which make up about half the retail industry, Amazon's share comes to around 3%. According to reports from the branch magazine Buchreport, Amazon's share of the media turnover is as big as the combined revenues of Weldbild, DBH and Thalia (in store and online as well as including non-book items). The share in the book market amounts to around 20%.

Conclusion: Whoever has ever had to stand in line in front of Apple or Abercrombie just before Christmas will find it hard to understand why company founder and investor Marc Andreessen has predicted the end of retail as we know it: "We're still pre-death of retail, and we're already seeing a huge wave of growth. The best in class are going to get better and better." This is certainly an extreme viewpoint. However: The figures, for example which Amazon has provided, are impressive. And: the speed at which consumers are changing their attitudes to shopping (both in store and online) is forcing traders to act. Only in this way can they keep up and be successful in the future. A simple "Keep it up!" will not be enough.

'Turning point' for Axel Springer: Digital sales push growth

February 2013



The digital growth offensive of the Axel Springer AG is paying off: Digital media has reached higher turnovers than other areas for the first time. CEO Mathias Döpfner talked about a 'turning point that marks Springer's year' at a balance press conference in Berlin last week. According to the company, the digital media department has increased their avails to up to 1.17 billion € (+ 22%) and thus, has taken over the

leading role from the highest-grossing area of the company, the national newspapers (1.12 billion € / - 3.3%), for the first time. The highest share of sales are the advertising revenues, which are as high as 992 million €, 25.4% more than last year. Meedia commented fittingly that this balance shows blatantly obvious the transition of the Axel Springer AG from a newspaper and magazine publishing company to a digital company. All in all the company's sales have increased by 3.9% to up to 3.3 billion €.

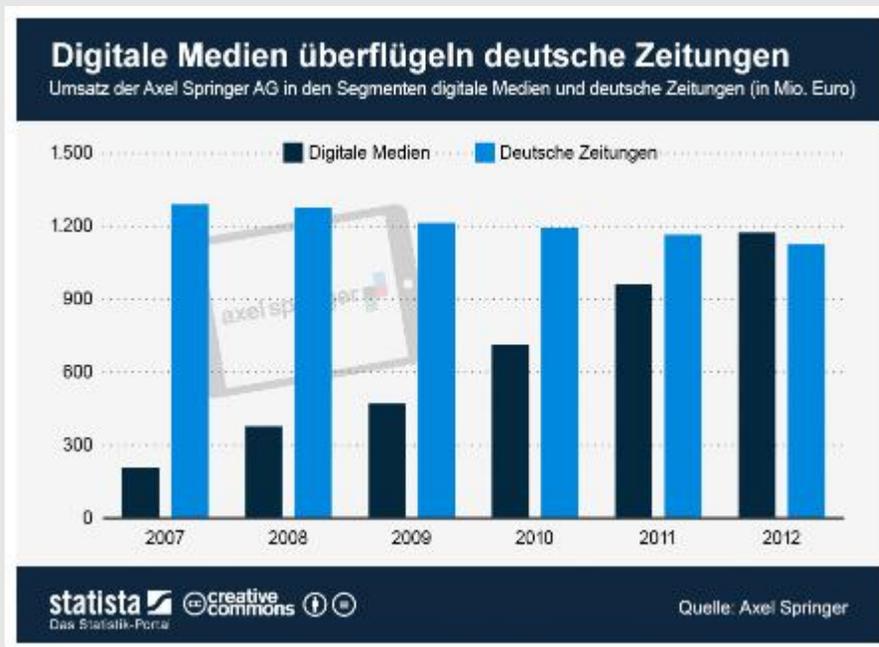
The expansion of the digital area is supposed to be accelerated

Springer relied on the digital range quite early. The strategy of digitalization is guided by the three core competences of the publishing company: Contents and brands, though existing print brands such as Welt or Bild are transferred to digital marketing channels and online brands such as Aufeminin.com, KaufDa or Idealo are acquired. First experiences with the Welt.de paywall are supposed to be promising. Of course, he didn't mention more precise numbers. The online edition of the Bild is supposed to follow with a payment model in connection to Bundesliga coverage this summer. Additionally, there is the Zanox-group (acquisition 2007) in 'Performance Marketing', as well as different column portals like Immonet, Stepstone or Allesklar.com.

Latest investments in 2012 included the city portal MeineStadt.de last August, as well as the second screen provider TunedIn that takes an active part in the hyped market of interactive TV-apps. Investments in Digitalkonferenz Hy!Berlin and the start of their own accelerator program are supposed to intensify the international networking with the European Start-up scene and the fight for capable, young talented people and new ideas are supposed to be accelerated. Thus, Döpfner plans further investments in the digital sector for the business year 2013.

Conclusion: Current figures of the Axel Springer AG impressively show the huge importance of a digital strategy for the sustainability of media companies. The fact that Springer does not only count on additional purchases, but strengthened their journalistic key range was crucial to this. And Springer is not the only one. Even other media companies increasingly invest in a digital future, though with different strategies: Thus, Burda especially expanded in e-commerce, the TV company ProSiebenSat1 in the growing market of games. And even the publishing company Georg von Holtzbrinck owns a huge digital portfolio.

Digital more important than print



Quelle: Statista Infografiken, 2013

Has Rakuten made a breakthrough in the German market with its ‘Super Sale’ and ‘Happy Commerce’?

February 2013



With Amazon still stuck in a PR and image disaster and now having to answer to the Anti-Monopoly Office due to its retail commercial clauses, the big Japanese e-Commerce platform Rakuten organized its first ‘Super-Sale’ weekend in Germany. The marketplace, which works in a similar way to Amazon on Cyber Monday, wants to become better known and also increase the volume of traffic onto the retailers’

own websites with this sales event: Top Deals change every hour, extensive online promotions are at the forefront, as well as bonus points multiplied by thirty. On the other hand, this event is also part of the so-called Rakuten empowerment concept to strengthen retailers. This is also essential for although the Japanese company sets itself the target of becoming worldwide Nr. 1 in E-Commerce, they still seem to be some way off achieving this in the German market. And another big player in the German market would be desirable.

“Happy Commerce ohne Happy End”?

What can we learn from this mega event? The German editor Beate Rank gave the sector magazine etailment a preliminary estimate, after the publication had met with angry comments from customers when it reported that the test had failed and that Rakuten still had a way to go to becoming a game-changer and serious competitor to Amazon and eBay (at least in Germany). Rank, on the other hand, draws something positive from the retailer’s side: Around 500 participating companies were able to increase their sales volumes 15 times over, the product value increased, 80% of new customers created an account and even existing customers placed many more orders during this time. Another event should apparently take place in April. This will then show whether it’s also possible to achieve sales records like in Japan.

Rakuten vs. Amazon: The marketplace model vs. product and customer oriented sales

While Amazon is rather geared towards customers and products, Rakuten is targeting retailers instead with its shop centered approach. The B2B2C-Platform in Japan includes more than 40,000 very specially designed shops: in Germany, just under 14 million products in over 6,200 online shops are on offer. In this way, Rakuten is aiming at a range of very different revenue streams. In contrast to the product oriented approach of most other market places, the retailers at Rakuten are very much centre stage. This allows each retailer to design their shop individually and brings them closer to eBay rather than Amazon.

The advantage: Responding more to market needs and customer wishes. The figures, published recently by Rakuten at its annual press conference, emphasize this. According to excitingcommerce, the number of reorders in Japan is around an impressive 4.61 per quarter which means the average Japanese Rakuten-shopper recently placed an order every three weeks. The average shopping basket was around 220 € per quarter. As an incentive to first and future orders, every customer receives so-called 'Rakuten Super points' which can already be redeemed with the next purchase.

Conclusion: In Japan a heavyweight, in Germany, still relatively unknown. This makes the idea of a mega event, in combination with a customer loyalty program which leads them back to the shop, interesting. It is surely a promising action rather than a pure discount event. To what extent the 'Super-Sale' and the concept of shopping experiences can attract attention in the German market will be seen in the coming months. Will the 'Super-Sale-Shoppers' come back after they have redeemed their bonus points? Or will they move onto the next bargain hunt? The event emphasizes one thing though: How determined Rakuten is to advance its internationalization plans.

Rakutens Marktplatzmodell: "Buy from people, not the Internet"

Shopping is Entertainment

Happy Merchants + Happy Shopper = Happy Commerce

- The 3 L's (Long Page, Lively, Long Tail)
- Driving customer satisfaction, for both consumers and merchants

Competitors' Model

Rakuten's Model

Rakuten Marketplace Model

Unique E-commerce Model

Rakuten 'Empowerment' model is very unique and difficult to replicate

Major Global E-commerce Competitors

Product Centric VS Shop Centric

Quelle: Rakuten, Geschäftsbericht 2012

Adidas is focusing on digital retail with its 'Next Generation Fashion Store'

March 2013



Market leadership through innovation. An aspiration that Europe's biggest sports equipment producer follows consistently. Even in 2013, a year in which no big sporting event takes place, the company still wants to increase turnover through innovation and keep the brand healthy. With the 'Next Generation Fashion Store' at the CeBit, an interesting concept was presented which Christian Zigel from the Friedrich-

Alexander-University Erlangen-Nuremberg has developed together with Adidas Group Global IT. This Digital-Retail-Concept is particularly targeting the digital generation with the aim of offering the customers a completely different shopping experience and could set the trend for its future store concept and sales strategy in retail. In interactive changing rooms customers will be helped and advised during the trying on and buying process.

The virtual changing rooms are a convincing concept. On the other hand, little modern technology is to be found in city stores. If this were to succeed, it would be a killer feature. Changing rooms are one of the most important features of a store for customers. The prototype of 'Cyber Fit' creates an interactive changing room which uses 'modern technology like RFID or touch sensors, as well as elements of virtual reality and immersive power walls.' Via a connection with their smartphone, the customer can be identified and receive personalized information, connect with friends on social networks or make contact with other changing rooms and consult each other.

The changing rooms will be completed by the body scanner 'BodyKinectizer' which finds out the exact measurements of the customer and the right clothing size. The method put forward, a low cost solution using the Microsoft Kinect games controller, should be the basis for different possible applications in store as well as at home.

Conclusion: New ideas are needed in order to transform our cities into unique worlds of experience. New digital services are the key to success. They could strongly influence our shopping experience. This digitalization of the in store experience thereby has a bigger impact on sales than on the question of which channels the customer will shop on. The future of retail therefore lies in a 'no line' approach which optimizes the shopping experience in store and online and links it to the requirements of the target group. And the Next Generation Fashion Store from Adidas is an excellent example of how that could look.

360buy Rebrands to JD.com and Nabs Another Huge Investor

April 2013



China's web can often seem like a "members only" club to those outside the mainland, as it uses standards, infrastructure and even a language entirely unique to China. However, this is increasingly become a less-than-accurate assessment of the situation, as more Chinese e-commerce sites gain international partners and flavor. The biggest news yet in this realm is a US\$125 million cash infusion from

Prince Alwaleed bin Talal of Saudi Arabia, via his Kingdom Holding Company (KHC), to the popular Chinese site jd.com (formerly known as 360buy.com).

The US\$140 million is actually part of a larger US\$400 million round of Series D investment funding, and is hardly the Prince's first foray into the web business fray: in 2011, he made headlines when the KHC invested \$300 million in Twitter, a move that has yet to bear much fiscal fruit. jd.com has proven to be a massively successful site and brand, with a well-received mix of good product selection, low prices and convenient delivery policies and performance. As of last fall, in fact, the site was worth a reported US\$7.25 billion, and intends to use the Series D money to strengthen their logistics and delivery infrastructure.

Delivery infrastructure has actually been one of jd.com's primary selling points, and late last year they made their "last mile" delivery service available to third-party vendors, making it easier to cut costs and guarantee timely delivery, which are both cornerstones of their operations and marketing strategy. The company is truly shooting for the sky, aiming for a 65% year on year increase in transaction value in 2013.

The biggest development of late for the site, however, is the launch of their English edition last fall. With a smaller product range and longer delivery times, it doesn't boast the same exceptional convenience of its Chinese counterpart, so it remains to be seen how successful it will be. Given the amazing growth the jd.com-team has achieved in China, however, it's plausible that the international edition, if managed carefully and marketed well, could achieve similarly lofty sales numbers. With sales offered to the US, Canada, France, Germany, Australia, and Southeast Asia, it will be interesting to see if jd.com can become a global e-commerce powerhouse or if it remains another huge-in-China, unknown-elsewhere phenomenon.

Conclusion: jd.com is drawing a tremendous amount of investor attention from some big-name global investors, and has also posted very impressive growth numbers, but the company's ability to expand internationally will be the true test of its ability to be a real e-commerce force.

How are traders reacting to ever increasing e-commerce turnover?

May 2013



E-commerce is gaining ever more of the market share: 33 billion € was made last year by online traders in Germany. Compared with last year, the market volume has increased by just under 15% – this is according to current figures from the new IFH industry report online trade. The share of online trade in the entire retail industry was just 3% in 2007, but this had already grown to 7.7% in 2012. Without the so-called Fast

Moving Consumer Goods (FMCG) like, for example, groceries and body care products, online trade still made up 14.2% of the entire retail industry – and this share will grow even more in the future.

Digitalization of the in store experience

With the increased use of smartphones and tablets, the substitution effect will continue in the next few years and seriously affect fixed location traders. Modern technology can still be found in the few stores located in the town centre or in the big shopping centres. Yet new ideas are needed in order to make shopping in fixed location stores a special experience. New digital services are the key to success and could have a real effect on the way we shop. The digitalization of the in store experience will have an even bigger impact on sales than the question of how consumers made their latest purchases.

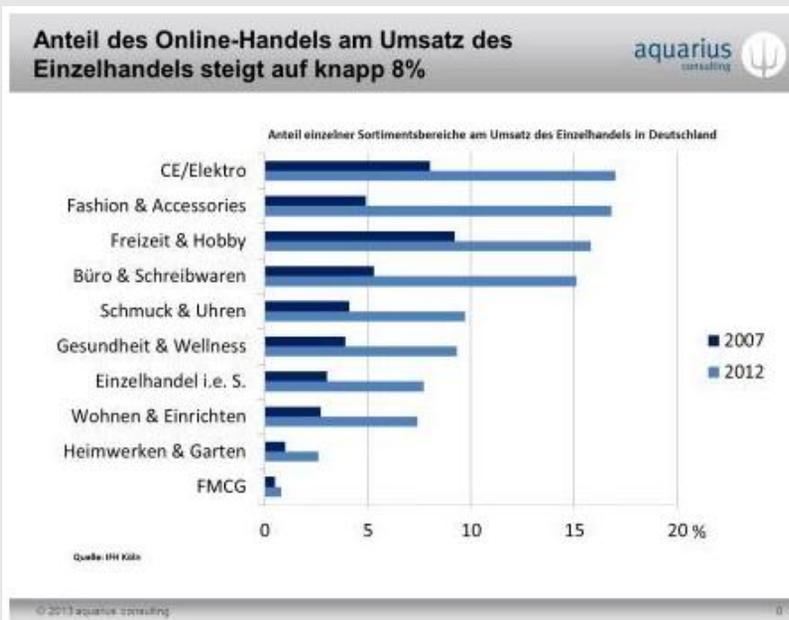
ECE is testing digital retail with ‘future labs’

An example of how the retail industry has reacted to this development is the ECE centre operator, an affiliate of the Otto group and a shopping mall pioneer since the mid-1960s. In March, two big shopping centres were opened, the Hamburg Alstetal shopping centre and the Limbecker Platz in Essen, the so-called ‘future labs’ in which digital and interactive shopping experiences will be tested. What will be tested here on around 130,000 square metres with 440 specialist shops is an interesting platform examining the reliability and customer acceptance of innovative everyday solutions. The test length of the ECE chain is 1.5 years and it will be continually customized: “Developments which customers like will be followed up and also used in other centres. Anything they don’t like will be removed from the program and replaced by new ideas,” said Henrie W. Kötter, managing director of the Center Management of the ECE.

The new technical service offers are spread out across the whole mall and range from a virtual orientation system to a wide range of social media links and even interactive play areas for children. The most striking feature is a 4x4m high ‘mall wall’, an interactive multimedia wall on which visitors can get fashion tips or AR animations via a touch screen. A further component in the strategy is an app for smartphones which locates customers and informs them personally of offers and events. The data is not just provided by single specialty shops but also by scouts who walk through the centre and share the information through an app. Also new is an info gate where customer service personnel answer visitor questions via a video screen.

Conclusion: The IFH report makes the increasing significance of e-commerce for the retail industry very clear and highlights how important it is for retail channels to use it. The mobile channel will be especially important since it brings together on- and offline purchases in fixed retail locations. The main driving force is the customer who uses the Internet whenever and wherever they like. The future labs are another interesting example of how traders have taken up the idea of the multichannel and how they are looking into innovative approaches such as mobile couponing or indoor mapping and how customers react to them. There are not yet many examples in Germany of how fixed location and mobile shopping can be optimized and how the different target groups can be brought together.

Shopping in shopping malls as a ‘real’ experience, complemented in the future by the first digital retail approaches.



Quelle: Company Brochure

55 million Chinese shop on their mobile phones

May 2013



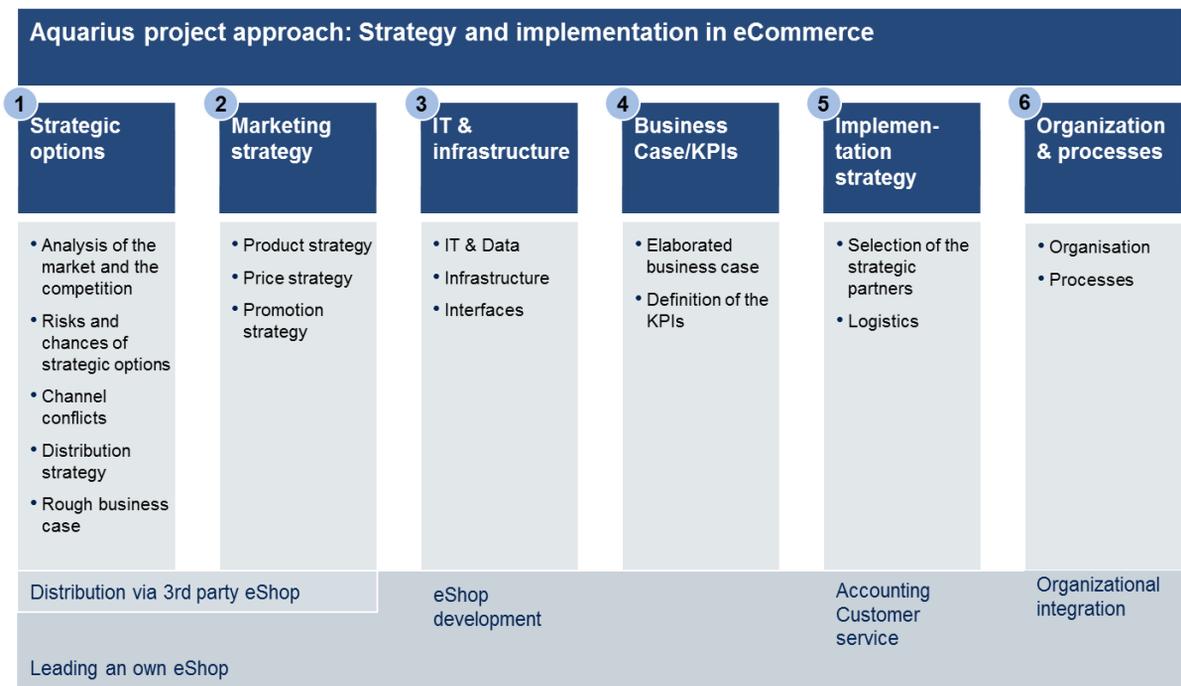
As an idea, China almost embodies the concept of “the next big thing,” with staggering growth and hot new startups popping up seemingly every week. There’s a pretty strong consensus, though, that the *actual* next big thing in China is mobile shopping, and maximizing the brand exposure and connection opportunities that come with it. Mobile phones aren’t exactly new to the Chinese market, but rapid and widespread smartphone adoption, fueled in part by affordable domestically produced handsets, is producing some eye-watering numbers for e-marketers: 55 million Chinese, for instance, now regularly shop on their mobile phones. Brands, both Chinese and international, have deployed a variety of strategies to try to take advantage of the mobile market, but at the moment no single strategy has proven especially effective or profitable. However, they’re champing at the bit to tap into a market that, by some estimates, constitutes one quarter of China’s online shopping volume and grew 488% in 2012.

One mobile stratagem that’s gaining steam is to utilize two massively popular mobile apps to help push campaigns and improve brand awareness and identity: Weibo, the Twitter-like microblogging platform that has become essentially ubiquitous in China over the last several years, and Weixin (known in English as WeChat), a newer social messaging and networking platform that is something of an “it” app for 2012/13.

Both platforms offer enormous user bases as well as unique challenges and opportunities; reaching and engaging with users on Weibo or Weixin is an entirely distinct process from using other social networks or platforms as marketing channels. It requires a mix of innovative thinking and time-tested techniques, as well as a willingness to accept losses and failures with grace – green marketing territories bring a lot of potential but also a lack of best practices and experience. It’s not a process for the weak and wary, so in the coming days, we’ll highlight Weibo and Weixin and discuss the importance of each platform and some strategies for optimizing your e-marketing via these exciting new channels.

Development and implementation of an eCommerce strategy

Since many years, aquarius supports companies concerning all eCommerce topics. Each process starts with the development of an wholistic eCommerce strategy, followed by the conception of online shops and the selection of strategic partners and suitable eCommerce platforms. In doing so, we consider the individual requirements of the target group (B2B und B2C) as well as the country-specific circumstances of the selected markets. Our expertise does not only cover online sales cooperations, but also the development and implementation of complex online shops.



Do you plan own eCommerce activities?
We appreciate to support you.

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When appropriate, aquarius works closely with its sister company aquarius solutions to provide complete project management including strategy, conception, development and implementation. The team of aquarius solutions has substantiated experience of conception and implementation of digital marketing and sales initiatives – online and mobile.

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