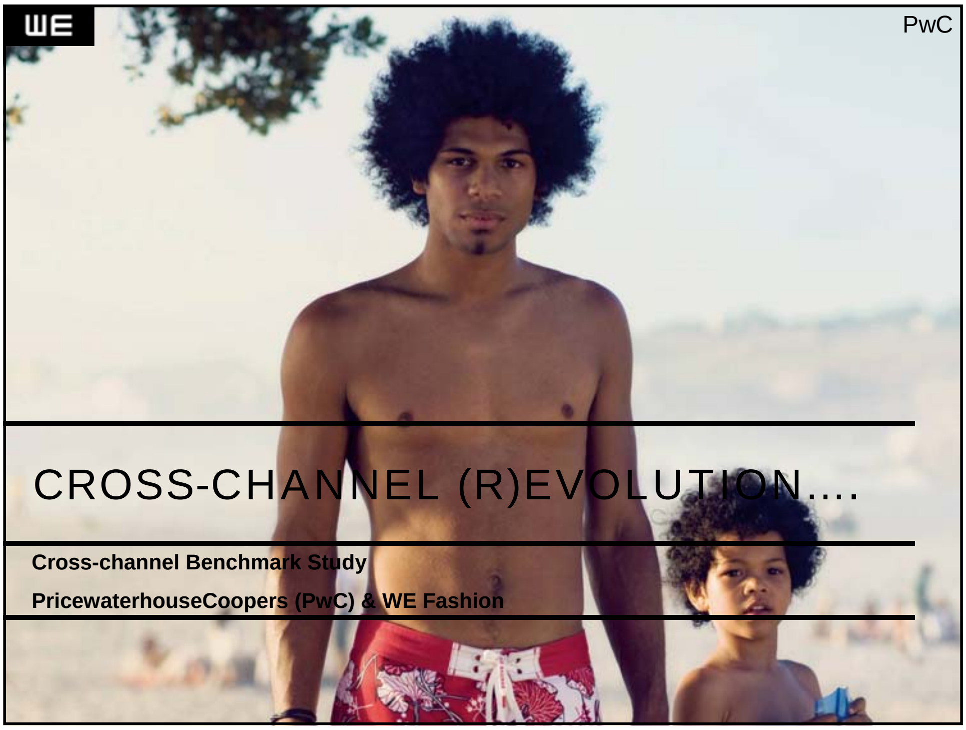
PwC



CROSS-CHANNEL (R)EVOLUTION….

Cross-channel Benchmark Study

PricewaterhouseCoopers (PwC) & WE Fashion

PwC

Agenda

1. Why Cross-channel (R)Evolution
2. Cross-channel general insights
3. Key findings of PwC’s Cross-channel (R)Evolution research

WHY CROSS-CHANNEL (R)EVOLUTION

Cross-channel (R)Evolution

During last years Elsevier Retail Summit retailers indicated that the following five topics are on top of mind:

1. Verticalization
2. International Expansion
3. Sustainability
4. Branding
5. **Cross-channeling**

PwC gathered information regarding current and future developments in retail for benchmarking purposes. Respondents are mainly from branches like fashion, living, electronics and personal care.

PwC

CROSS-CHANNEL GENERAL INSIGHTS

PwC

Europe's online business is growing

- Turnover retail sector will slightly increase with **1.4%** in 2010
- Turnover web shops is expected to increase with **19.6%** in 2010
- **37%** of the EU citizens ordered goods or services over the internet in 2009
- European shoppers spent on average **€ 871** in 2009
- Online retail sales are likely to grow to **€ 172 billion** in 2010

Source: EMOTA + CRR + Reuters

Online business in The Netherlands

Dutch online business is growing

- Turnover retail sector decreased with **- 4.9%** in 2009
- Turnover web shops increased with **17%** in 2009
- **8.65 million** Dutch people purchased online in 2009
- People spent on average **€ 119** per transaction
- In total, the Dutch spent **€ 6.4 billion** on the web in 2009
- Dutch E-Commerce turnover is expected to increase to **€ 12 billion** in 2012

Source: Thuiswinkel.org

Consumers are becoming more…

1. Instrumented

When an item is not in store, **1/3** would turn to a technology (internet).

2. Intelligent

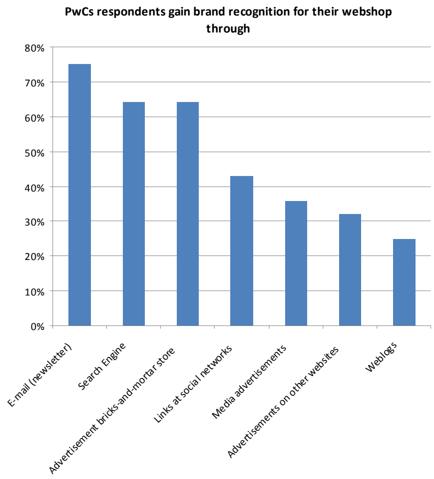
Customers know what they want, they prefer to:

- Be recognized and treated personally
- Receive information and discounts for the goods they buy
- Have a consistent product availability

Source: IBM

Consumers are becoming more…

3. **Interconnected**
   - 78% of the consumers is willing to collaborate with retailers
   - 33% is willing to follow a retailer on a social networking site



4. **And….**

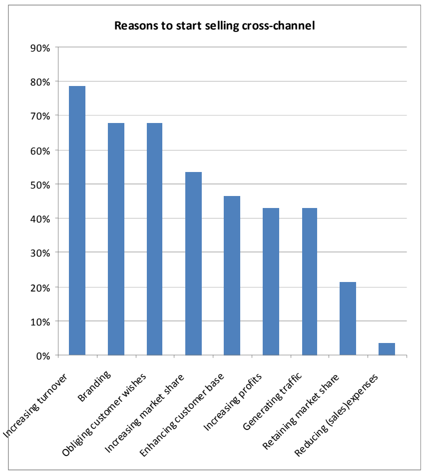
Source: IBM

KEY FINDINGS

RETAILERS SEE THEIR WEB SHOP AS A ‘MUST-HAVE’

Retailers see their web shop as a ‘must-have’

- The majority of the respondents started their web shop in **2009-2010**
- Web shops are seen as a **commodity** rather than a way to distinguish
- Important reasons for starting a web shop are:
  - ✓ Generating higher turnover
  - ✓ Supporting the established brand name
  - ✓ Obliging customer wishes
  - ✓ Keeping up with the competition



WEB SHOPS ARE MANAGED LIKE BRICKS-AND-MORTAR STORE(S)

PwC

Web shops are managed like bricks-and-mortar store(s)

Turnover

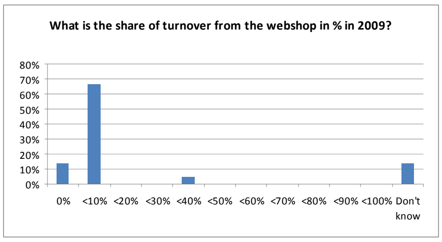
- Respondents turnover is much **higher** in their store(s) than in their web shop

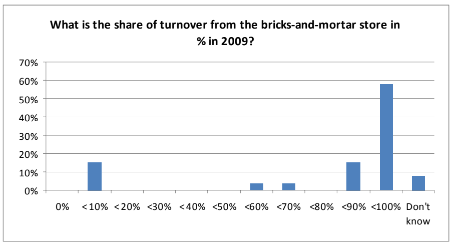
EBIT

- Respondents EBIT is much **higher** in their store(s) than in their web shop

Amount spent

- On average, consumers **spend less** in the bricks-and-mortar store(s) than in the web shop





Currently, cannibalization is not seen as a major threat, however it is considered something to bear in mind for the future

PwC

Web shops are managed like bricks-and-mortar store(s)

The fact that retailers see their web shop as a 'must-have' and compare it to their bricks-and-mortar store(s) also results in:

- Offering the **same assortment** online as offline
- Having the **same prices** for products online and offline
- Executing the **same** kind of **promotions** online and offline

Retailers do not seem to have the ambition to change their view towards their online product, price and promotion strategy

RETAILERS ARE NOT ABLE TO SUFFICIENTLY INTEGRATE ON- AND OFFLINE

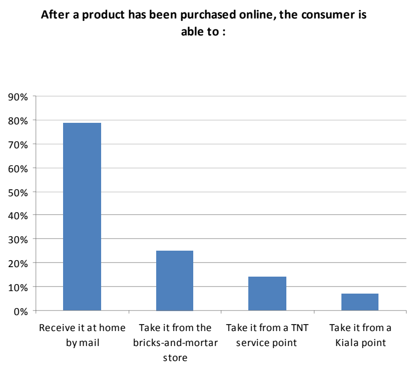
Retailers are not able to sufficiently integrate on- and offline

- Only a few respondents ask online customer **feedback**
- Currently retailers are **not able to combine** customer information sufficiently across different channels

There is a huge potential to increase / maximize customer experience by integrating on- and off-line information

Retailers are not able to sufficiently integrate on- and offline

- Only **25%** of respondents indicate that online purchased products can be picked up at the bricks-and-mortar store(s)
- When customers would like to return a product, **43%** of the respondents say this is possible in the physical store(s)
- On average, **13%** of the online purchased products is being returned

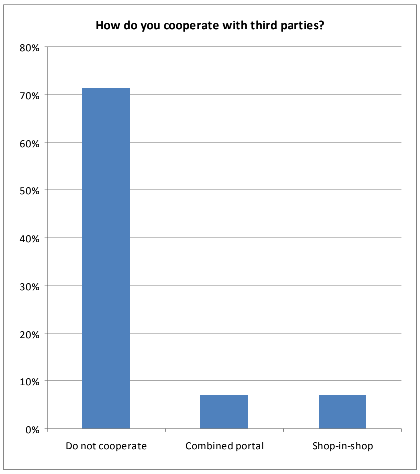


Offering customers the possibility to collect & return online purchased products in brick-and-mortar stores highly increases customer contact, offline turnover and reduces logistical costs

RETAILERS SEEM TO BE ´OLD-FASHIONED´ IN SHARING KNOWLEDGE AND COLLABORATING

Retailers seem to be 'old-fashioned' in sharing knowledge & collaborating

- The majority of the respondents **does not cooperate** with third parties
- However, a good cooperation can facilitate:
  - Lower costs
  - Enhanced conversion ratios
  - Exchange of knowledge
  - Increase in brand awareness
- Examples of successful collaborations are:
  - Online shop-in-shops
  - Combined portals



A CHANGE IN RETAILERS´ ATTITUDE IS NEEDED TO EXPLOIT THE FULL ONLINE POTENTIAL

A change in retailers' attitude is needed

A new world opens up when retailers see their channels as an **integrated** part of their business. This offers new possibilities to:

- Draw **new customers** to store(s) by use of new mobile applications
- Gain **customer information** / interests, e.g. by use of in-store internet pillars
- **Serve customers** with dedicated info, promotions, and discounts, with use of online & off-line historic information

Next to this, being part of **Thuiswinkel Waarborg** is key, since **2/3** of the customers **check** this before they purchase online

Retailers are more like market followers instead of innovators.
Who is the first to fully grasp the opportunity of true cross-channel sales?

QUESTIONS?