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State of Mobile Commerce.

United States: H1 2016

Preface

Criteo released the first State of Mobile Commerce Report in Q4 2014. An ongoing series, our research examines mCommerce trends and provides marketers with insight into online shopping behavior as the consumer path to purchase evolves. This report reveals that mobile transactions passed desktop as more retailers adopted consumer-friendly mobile sites and transaction-driving commerce apps. Originally a quarterly report, the study will now be published semi-annually to provide more granular insights and actionable strategies.

Key Findings

A tipping point: For the first time, the leading 25% of mobile retailers saw 50% of their sales from mobile.

Top verticals pull away: Fashion brands extended their lead over other sub-categories. Sporting Goods and Mass Merchant categories also showed a strong increase of 23% and 19% year-over-year, respectively.

Apps reign: Apps remain the most efficient channel for retailers, driving a larger percentage of shoppers down the purchase funnel and converting at 3x the rate of mobile web.

Winners take all: In mobile commerce, it's win or go home. Marketers with the best mobile sites and apps take a significantly larger share of the mobile spoils.

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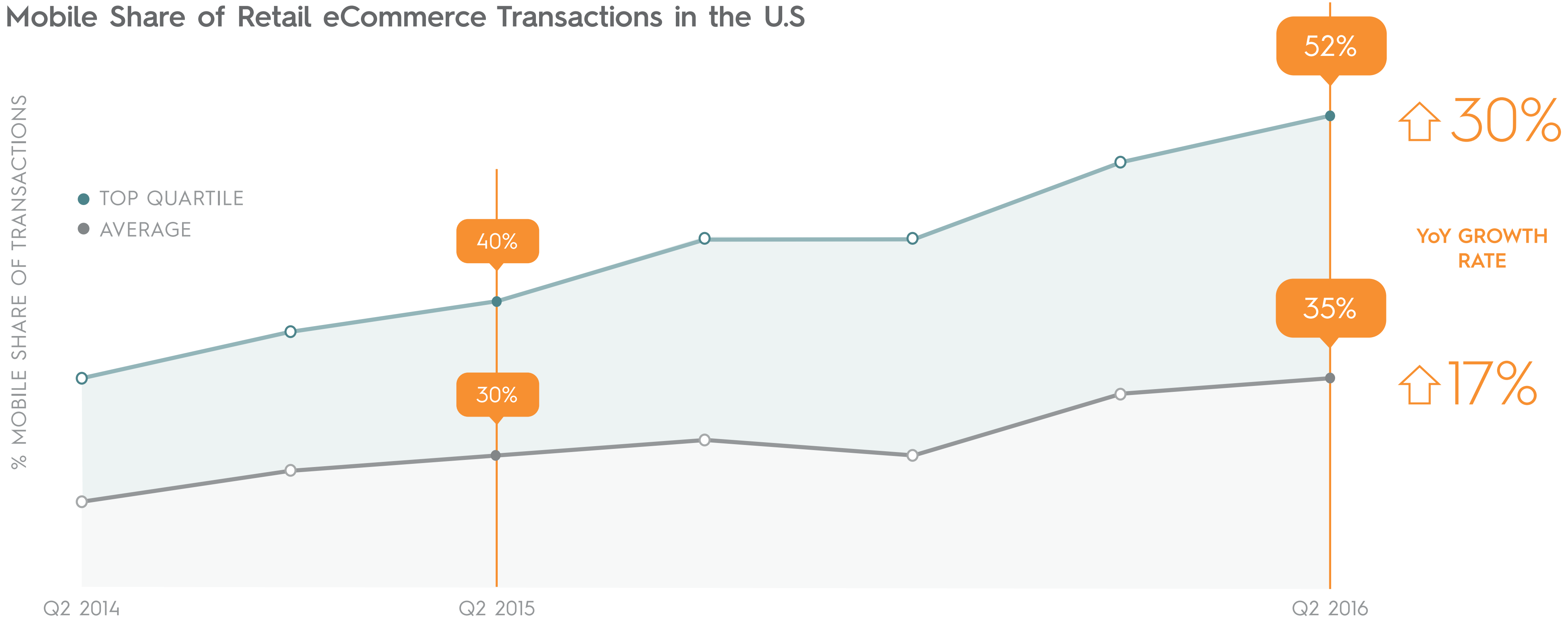
U.S. Mobile Commerce Trends.

The mobile tipping point is here.

Top retailers now capture half their sales on mobile.

Retailers ranked highest by share of mobile transactions grew 30% year-over-year (YoY), crossing the 50% mark for mobile transactions. Across all retailers, mobile share of eCommerce transactions also increased by 17% YoY.

Mobile Share of Retail eCommerce Transactions in the U.S



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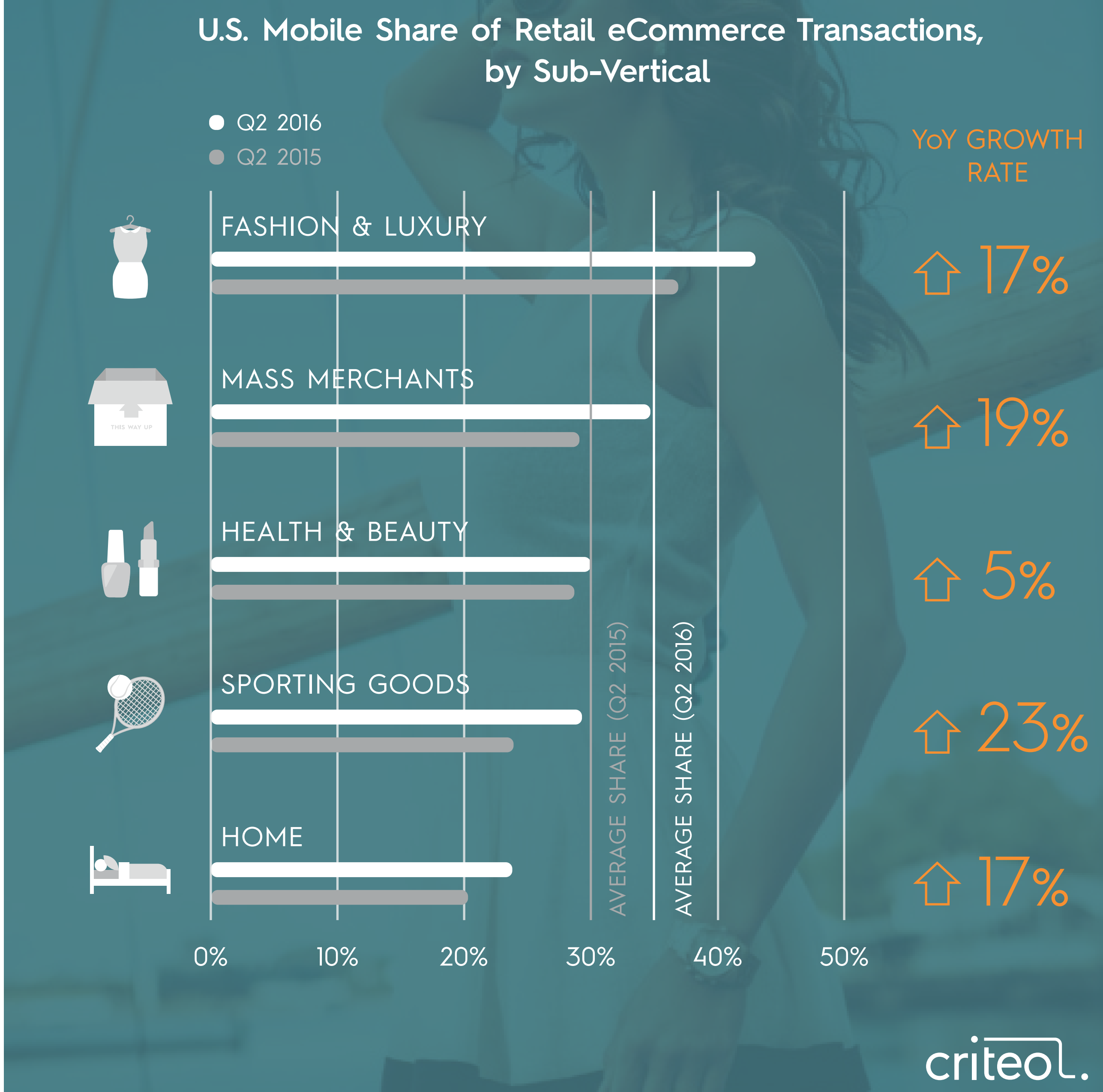
Top verticals pull away.

Fashion & Luxury retailers pull ahead of the pack

Fashion & Luxury soared forward, increasing a big lead on the field. But in terms of growth of share, Sporting Goods is closing fast on Health & Beauty.

In fact, all categories but Health & Beauty grew at least 17% YoY.

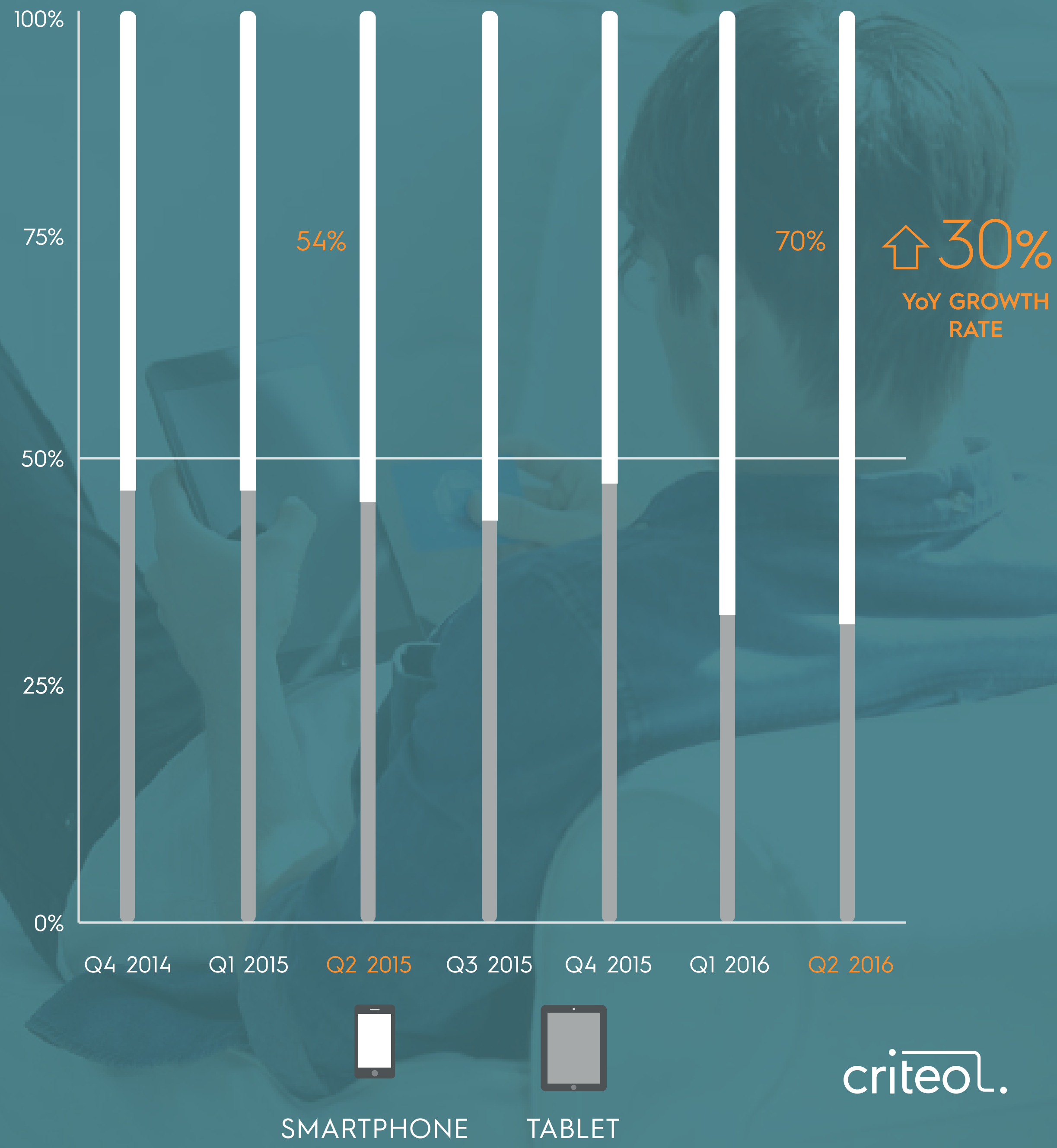


Tablets fade, smartphones soar.

Smartphones continue to dominate U.S. retail mobile transaction share by volume.

It's no surprise, as tablet shipments dropped 15% YoY in Q1 2016, from 46M to 40M, while smartphone shipments grew to 335M, according to the International Data Corporation (IDC).

U.S. Retail Mobile Transaction Share, by Device (% Total)



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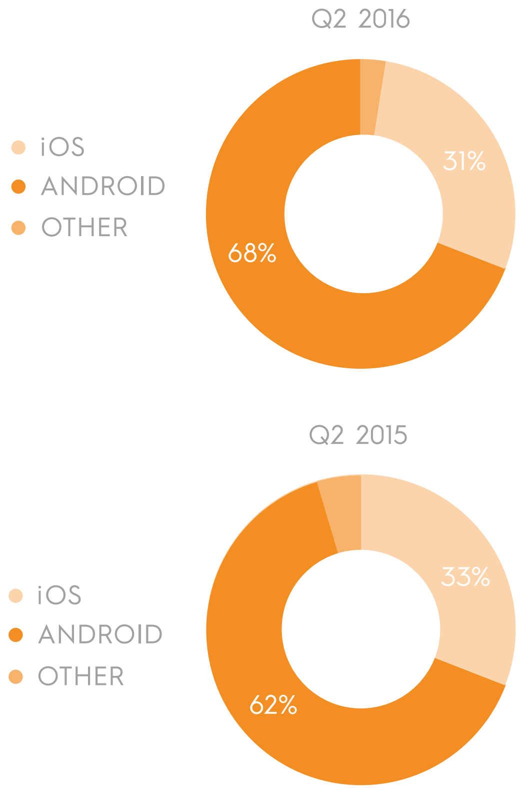
Android regains ground from iPhone.

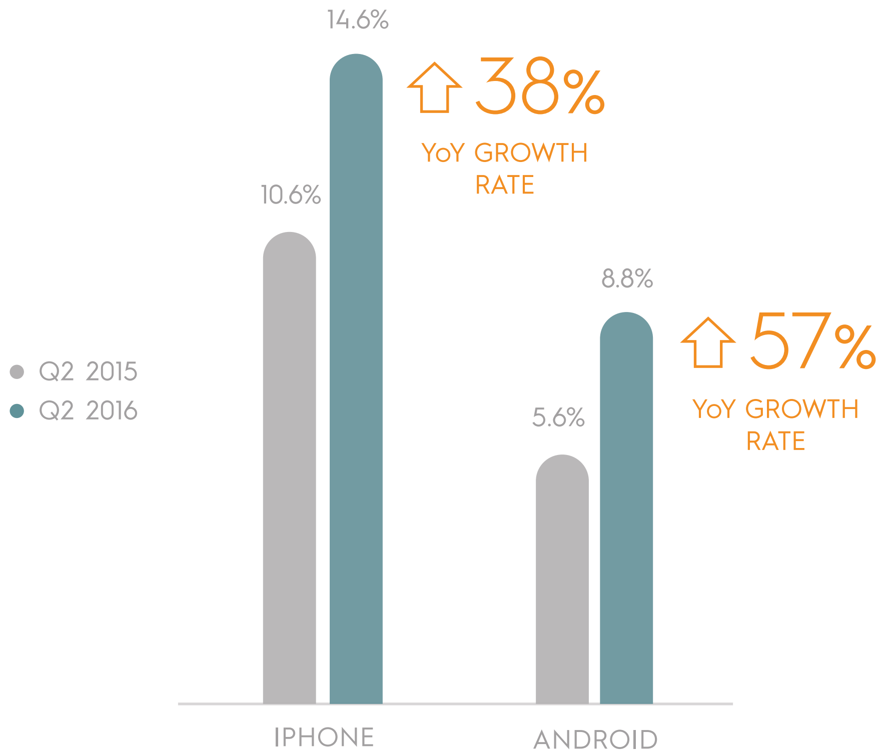
iPhone's smaller user base completes a greater share of mobile transactions, but the story doesn't end there.

Today, a majority of mobile commerce transactions are still completed on iPhones. However, a 57% YoY growth in transactions delivered by Android devices – 1.5x that of iPhones – demonstrates their ability to quickly regain ground in mobile commerce.

U.S. Smartphone Market Share by OS*



U.S. Share of Transactions by Device



*April data; Kantar Worldpanel data

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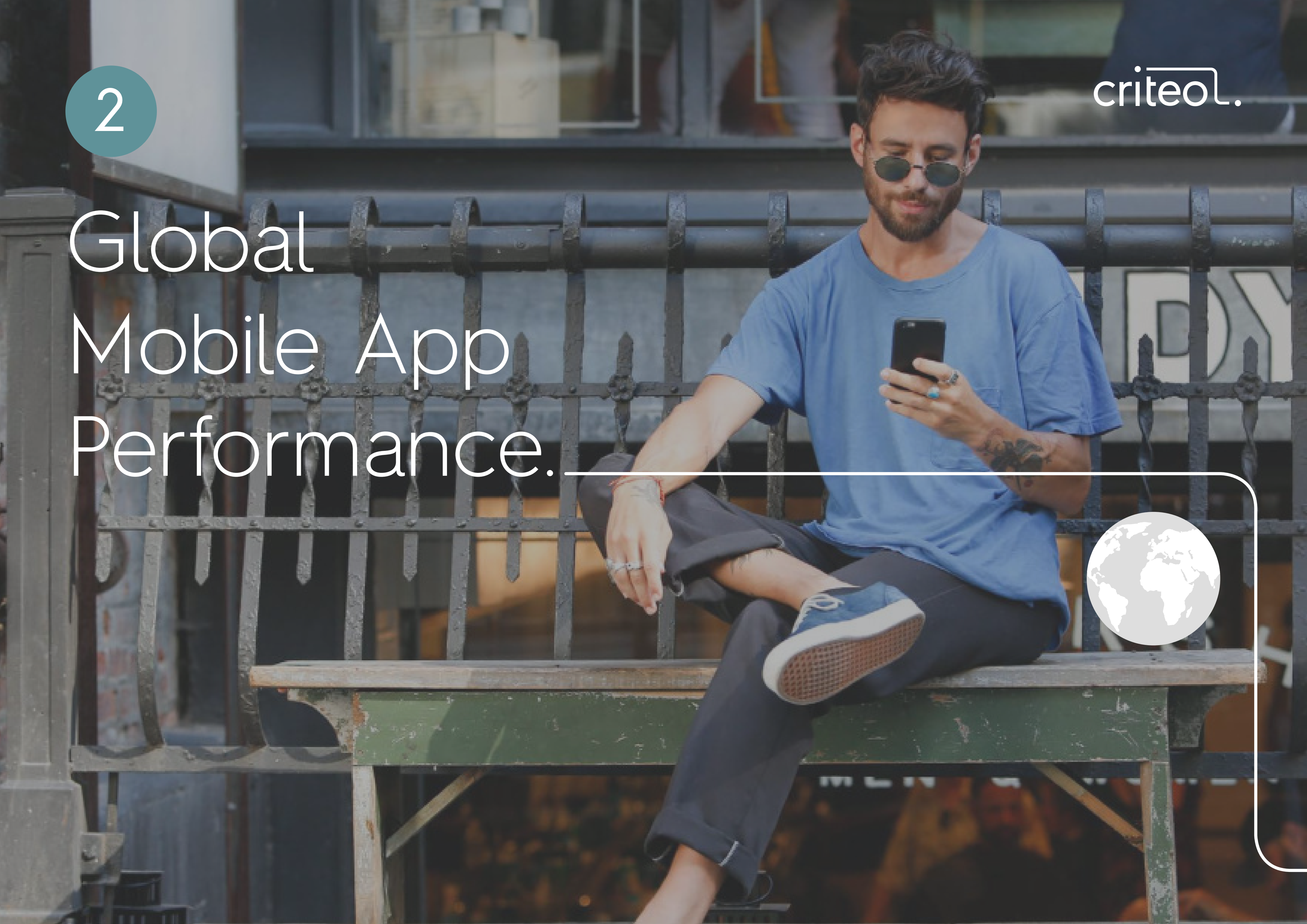
Global Mobile App Performance.



Apps deliver 2x the new user retention power.

New app users are twice as likely to return within 30 days vs. mobile web users.

Higher retention means a better chance at creating lifetime consumers.

Net new users only; includes sites that have both a mobile website and app and over 25% of eCommerce transactions on mobile, 5% of which are from mobile apps.

*Retention defined as percentage of users returning within 30 days of first visit.

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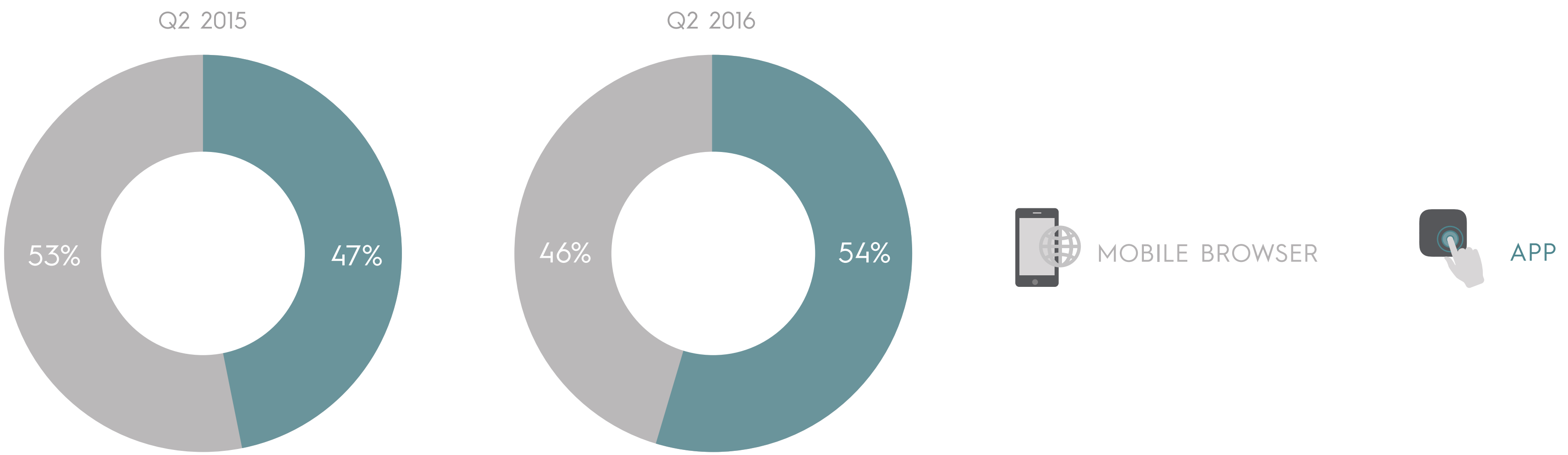
Apps deliver up to 54% of all mobile transactions.

Savvy app retailers see up to 54% of their mobile transactions generated in-app.

Retailers whose apps offer advanced capabilities like home screen presence, instant loading, offline content, push notifications, personalization and access to native functionality create richer consumer experiences and see a 15% increase in transactions YoY.

Global App vs. Browser Share of Retail Mobile Transactions



Includes sites that have both a mobile website and app and over 25% of eCommerce transactions on mobile, 5% of which are from mobile apps.

App conversion rates are unmatched.

Apps close the deal with consumers, delivering more efficient transactions than any other channel.

Not only do apps retain new users better and sustain a stronger user base of buyers, they also convert at much higher rates than either desktops or mobile browsers.

Is there hope for mobile web?

Possibly, if Progressive Web Apps and speedier standards for mobile sites help conversion rates.

Includes sites that have both a mobile website and app and over 25% of eCommerce transactions on mobile, 5% of which are from mobile apps.

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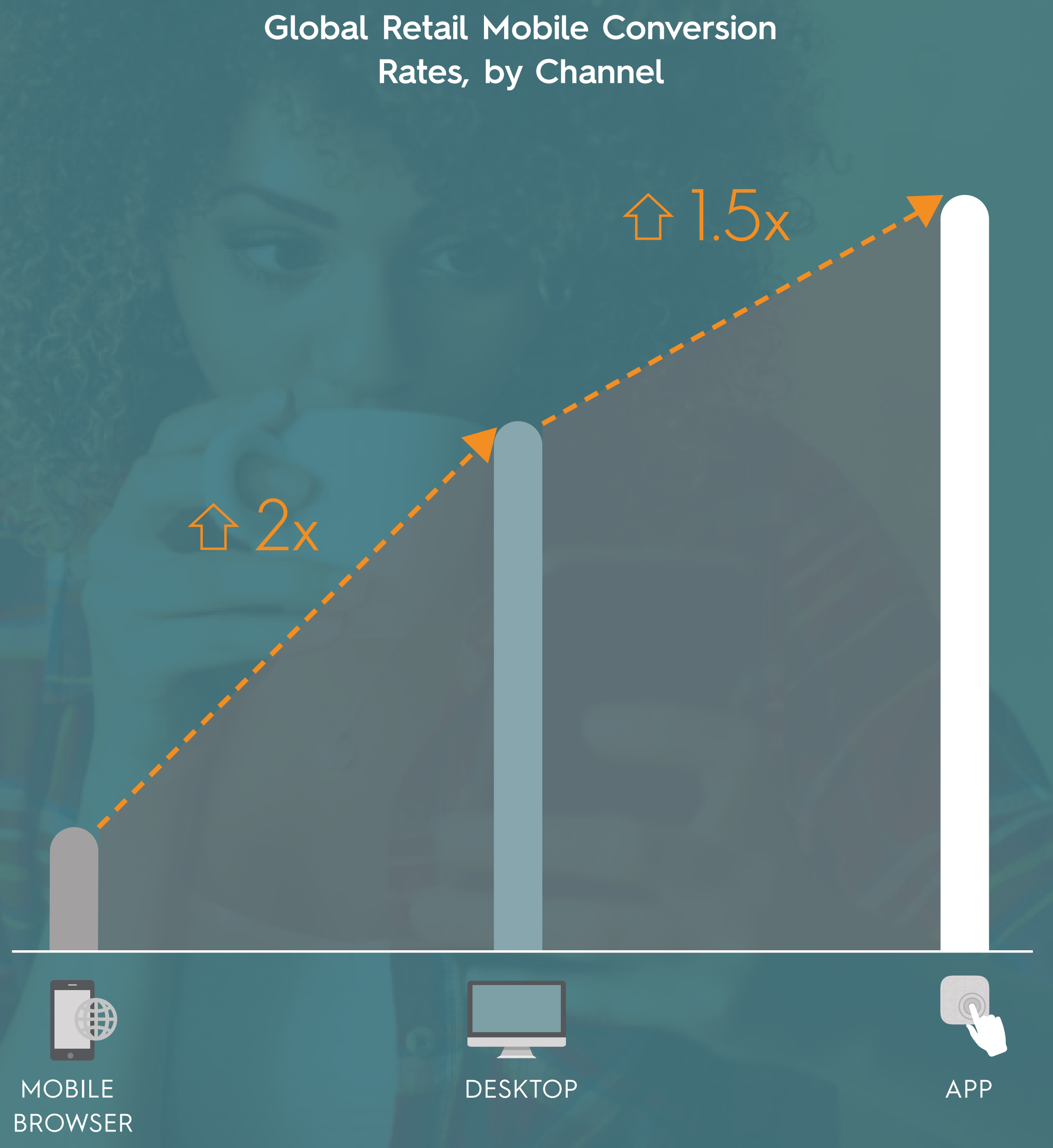

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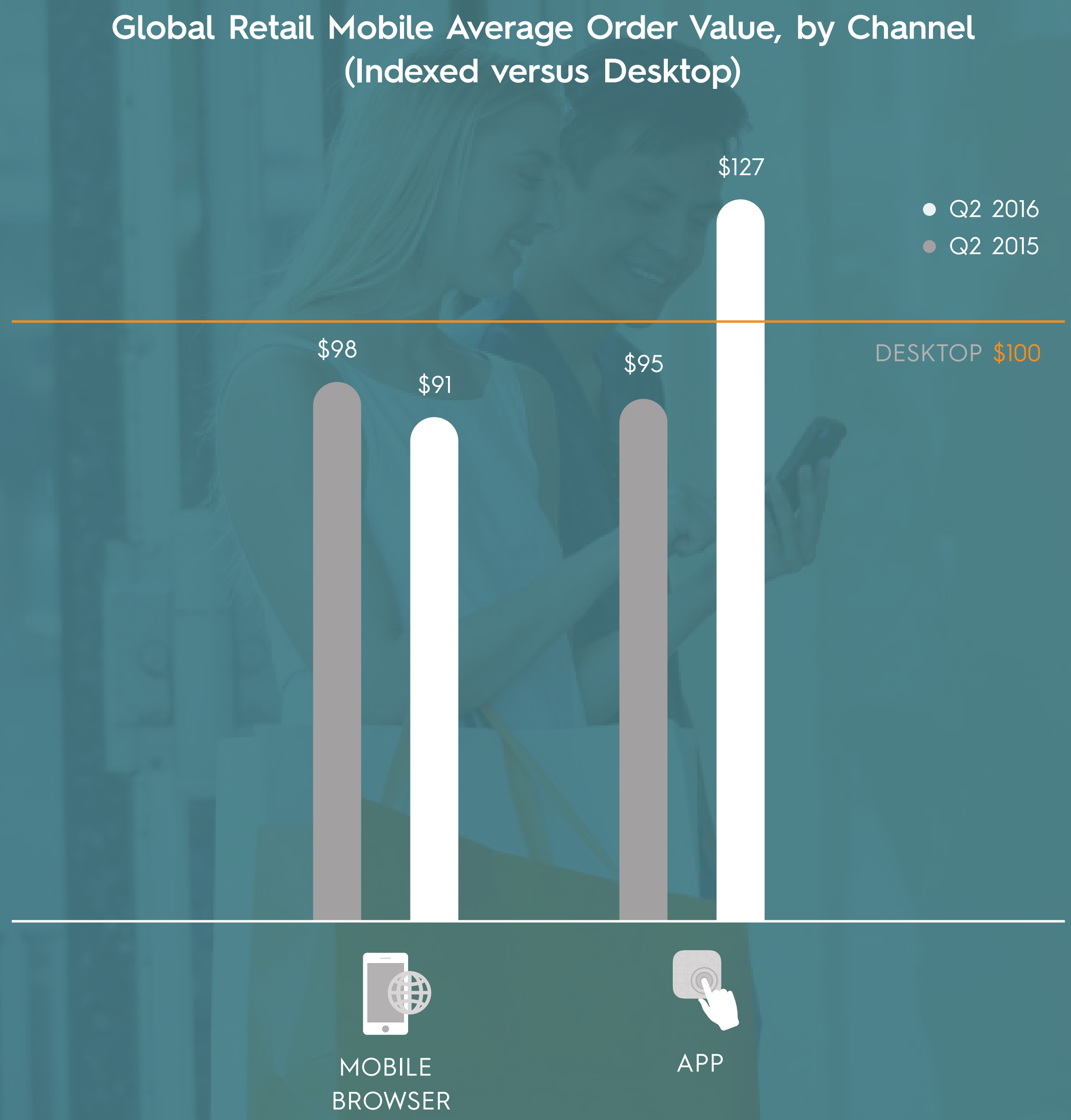
Apps score bigger baskets.

Desktop was once the king of pricey purchases, but no longer.

Average order values on apps now far surpass both mobile browser and desktop.



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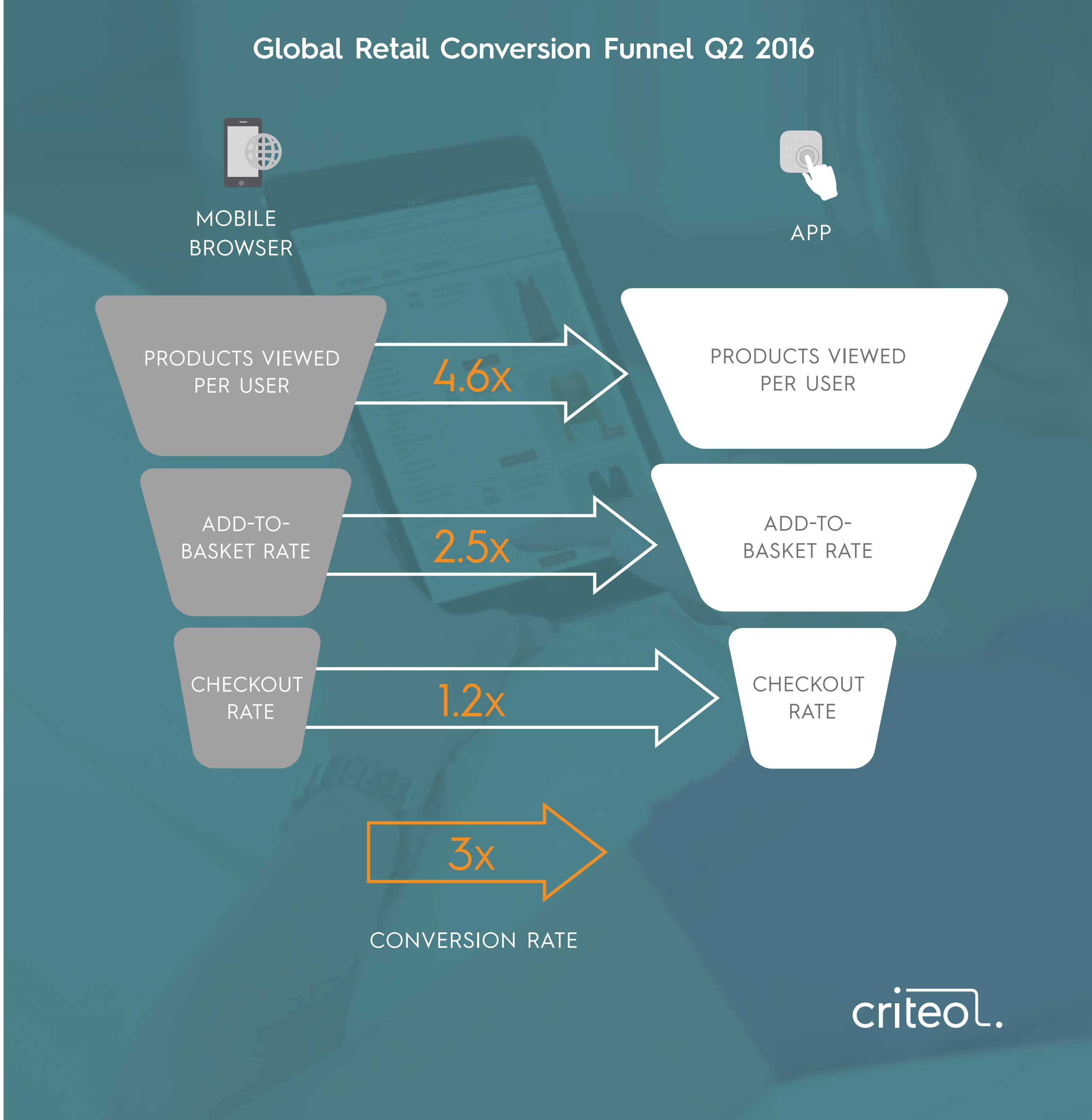
Apps convert 3x more product viewers than mobile web.

Apps still dominate at every stage in the funnel.

App users continue to browse more products and purchase more than on the mobile web and desktop at every stage in the funnel.

Conversion rate for app users, defined as the number of product viewers that completed a transaction, was 3x that of mobile browsers.



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Global Mobile Retail Commerce Trends.

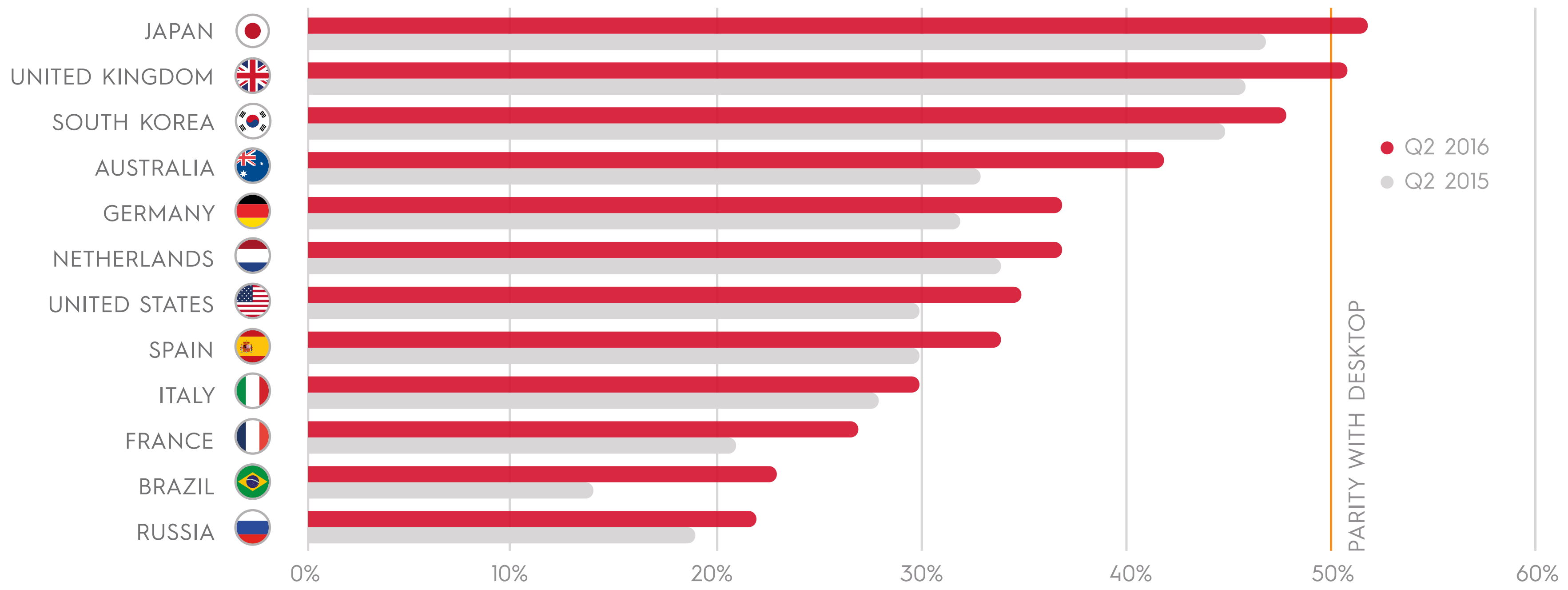
There's no going back.

Japan and the UK have crossed the line – now selling more via mobile than through desktop.

South Korea, at 48%, is on the verge. YoY, the biggest increases in mobile's share of retail transactions were seen in Brazil, Australia and France.

In addition, Germany's strong growth helped it leapfrog the Netherlands and Spain; Australia comes close to the top three; and Brazil moves ahead of Russia.

Mobile Share of Retail eCommerce Transactions, by Country



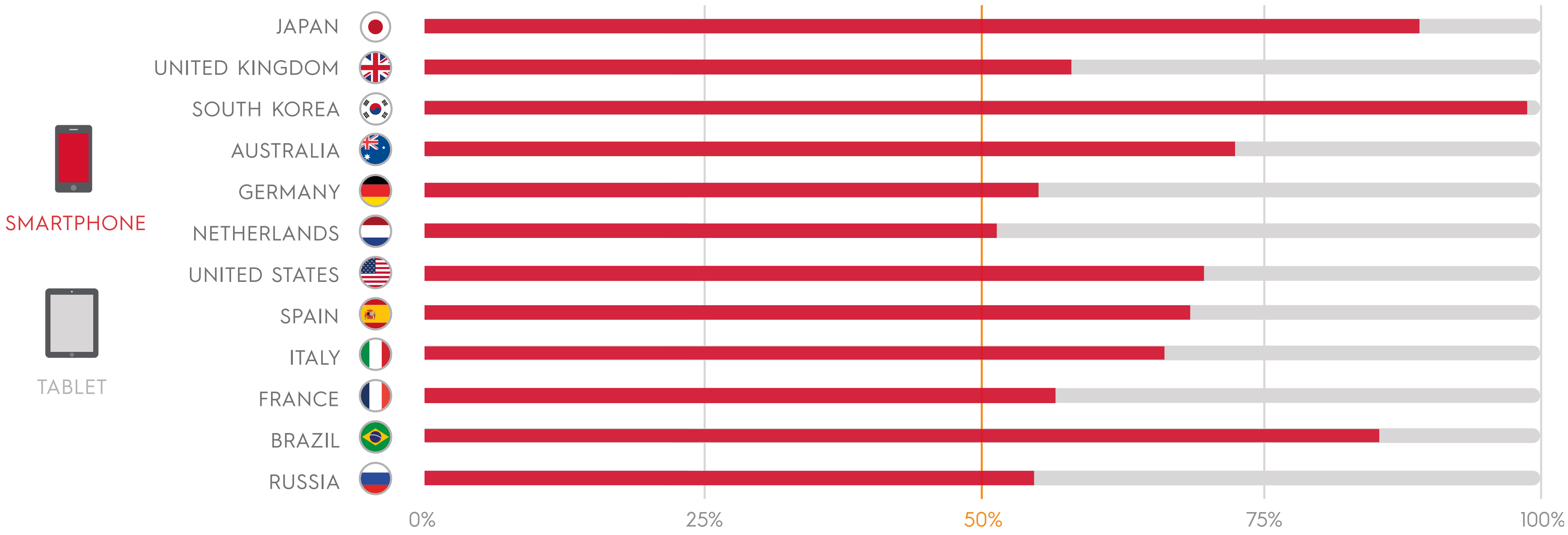
Smartphones rule the world.

Smartphones achieve global dominance over tablets.

For the first quarter ever, smartphones now deliver the majority of mobile transactions in every major market, including the Netherlands, Russia and the UK.

Tablet shipments are waning, smartphone shipments are rising, and new smartphone features like fingerprint recognition continue to make smartphone transactions virtually effortless.

Smartphone and Tablet Share of Retail eCommerce Transactions, by Country, Q2 2016



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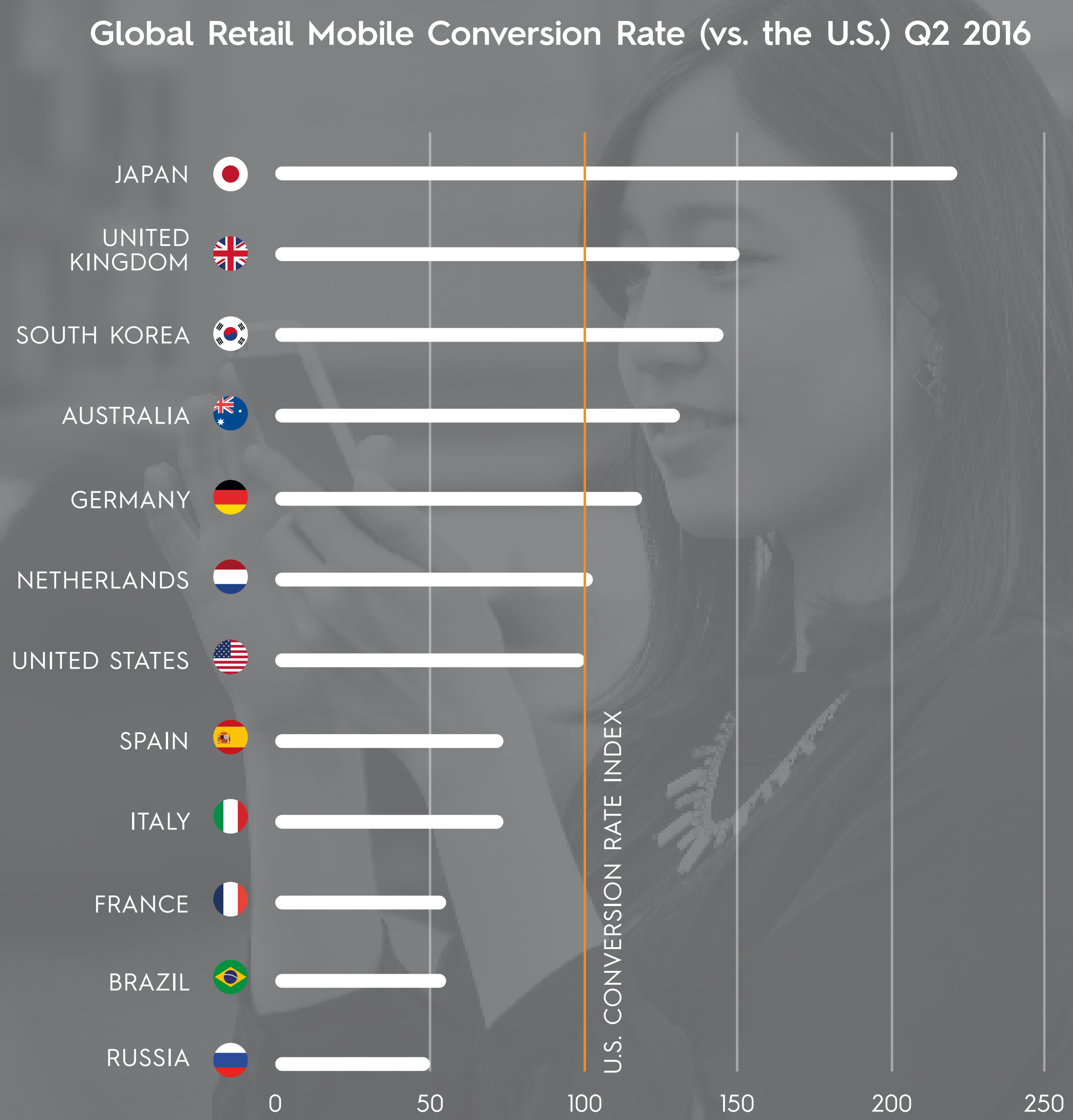
Japan, the UK and South Korea are ahead in mobile conversions.

Mobile conversion rates are highest in Japan, the UK and South Korea

The top markets ranked by mobile's share of retail transactions (Japan, the UK and South Korea) also saw the highest conversion rates.



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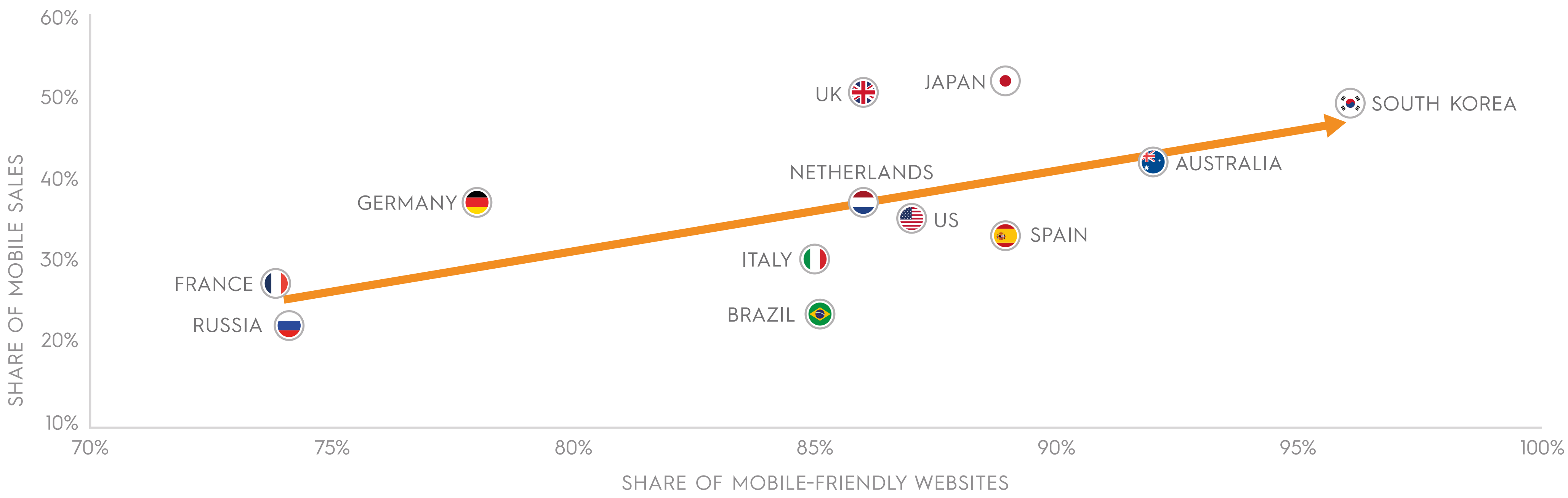
Make mobile experiences easy – and get ahead.

Mobile transactions increase as more retailers design mobile-friendly sites.

Countries with the highest percentage of mobile-friendly sites also see the greatest share of mobile transactions. To get ahead, commit to improving site navigation and usability for your mobile consumer.

Share of mobile transactions vs. share of mobile-friendly sites



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Mobile Maturity Indicators.

What drives Mobile Maturity?

On mobile devices, where time and mindshare are limited commodities, there can only be so many winners. So what factors distinguish the best mobile marketers from the rest?

Criteo researchers have been working on the answer to this question, identifying the key factors that make up a successful mobile commerce strategy based primarily on shopper engagement and retention, key precursors to conversion.

The importance of mobile investment cannot be overstated. When we examined revenue-indicating metrics like mobile conversion rate across more than 2,500 mobile commerce experiences, leading mobile marketers were leaps and bounds ahead of the lower tiers, taking the lion's share of the rewards. From this new research, we developed several important recommendations to help marketers move toward or sustain a superior mobile commerce experience.

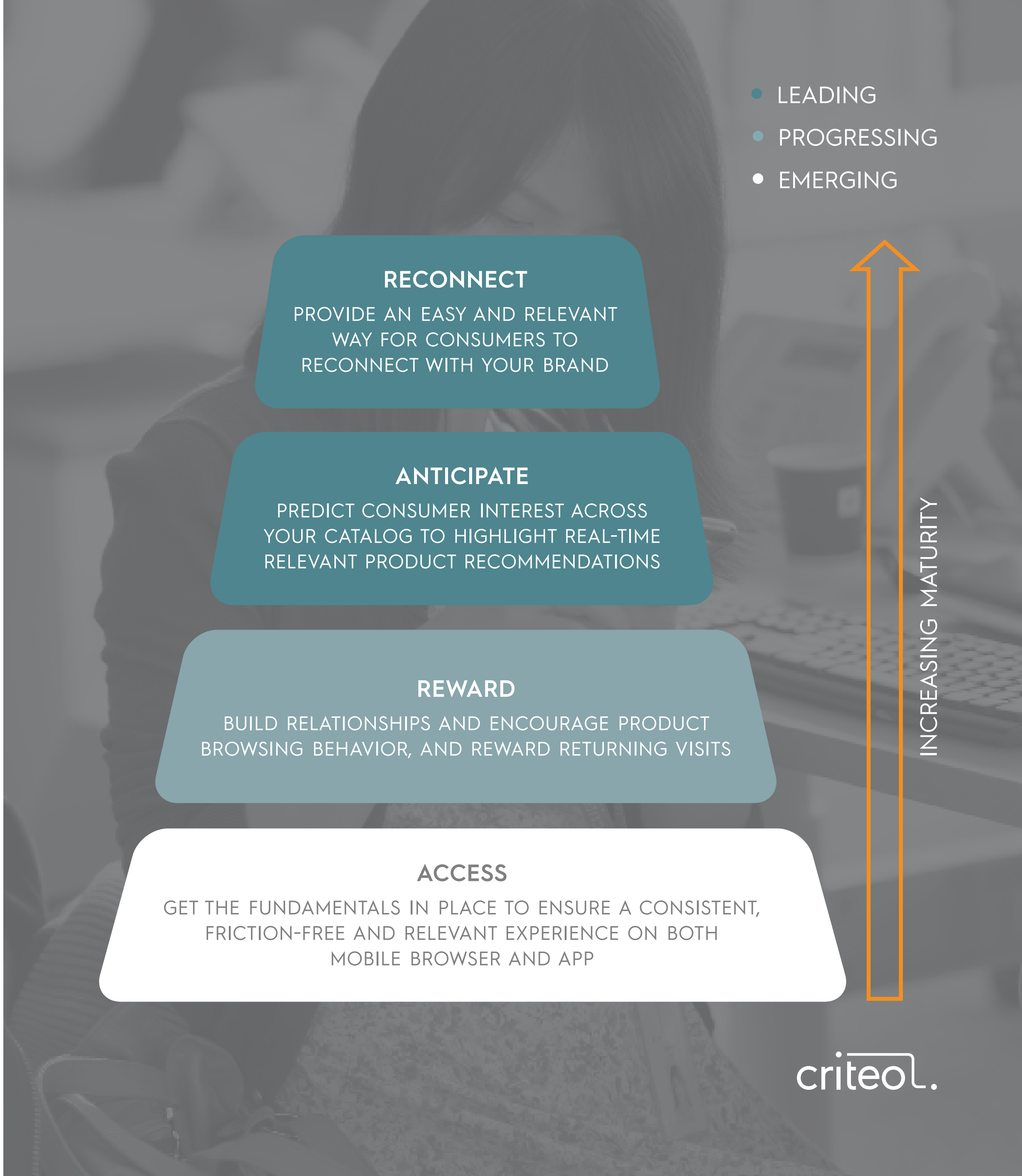
Introducing the Mobile Maturity Indicators.

Two distinct mobile commerce channels	Key metrics most indicative of mobile shopper conversions	Leading retailers widen the conversion gap from emerging retailers
MOBILE BROWSER	• Weekly retention • Number of products browsed	39% CONVERSION RATE
APP	• New user retention • Number of products browsed	90% CONVERSION RATE

Criteo's four steps to Mobile Maturity.

Consumers want a unified, consistent and relevant experience across all interactions.

Retailers that complete and sustain these four stages of development deliver mobile commerce experiences that fully meet consumer expectations.



How we define mobile web maturity.

Emerging
Mobile site is friendly and easy to navigate across various mobile devices.

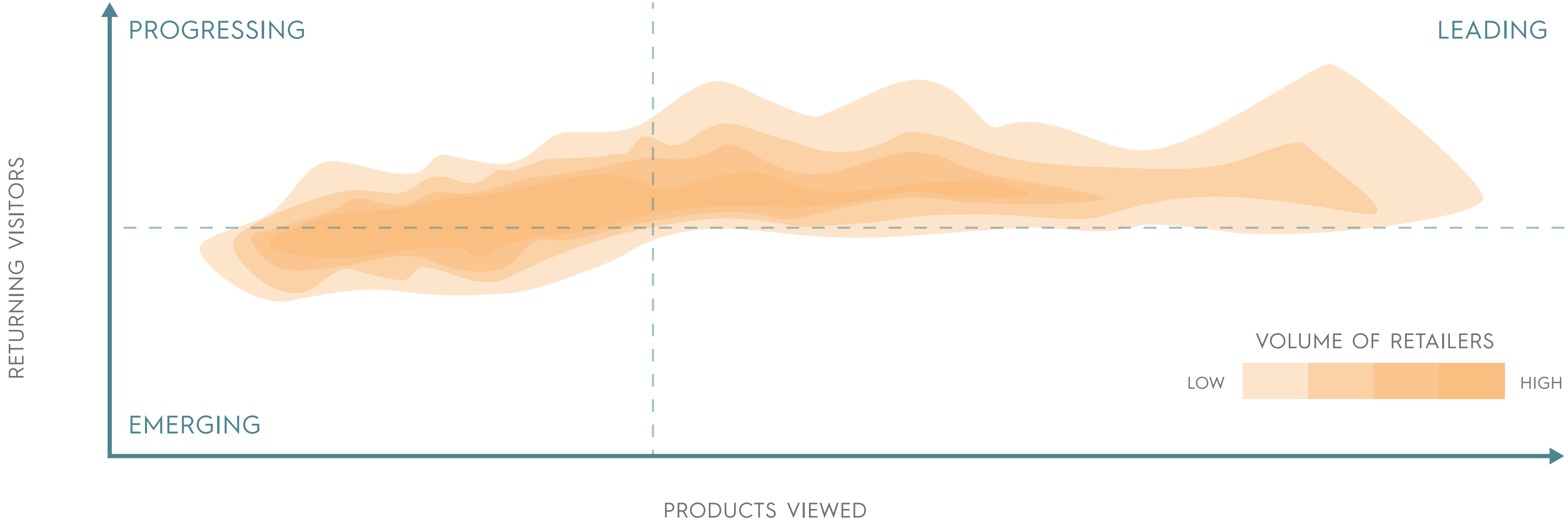
- Content is not wider than the screen
- Links are not too close together
- Mobile viewport is set
- Text is large enough for reading across different screen sizes

Progressing*
Mobile site drives at least equal weekly return visitation rates as desktop site.

Leading*
Mobile site drives more product views than desktop site.

* Higher levels of maturity include capabilities from lower levels

Distribution of Mobile Web Retailers by Mobile Maturity



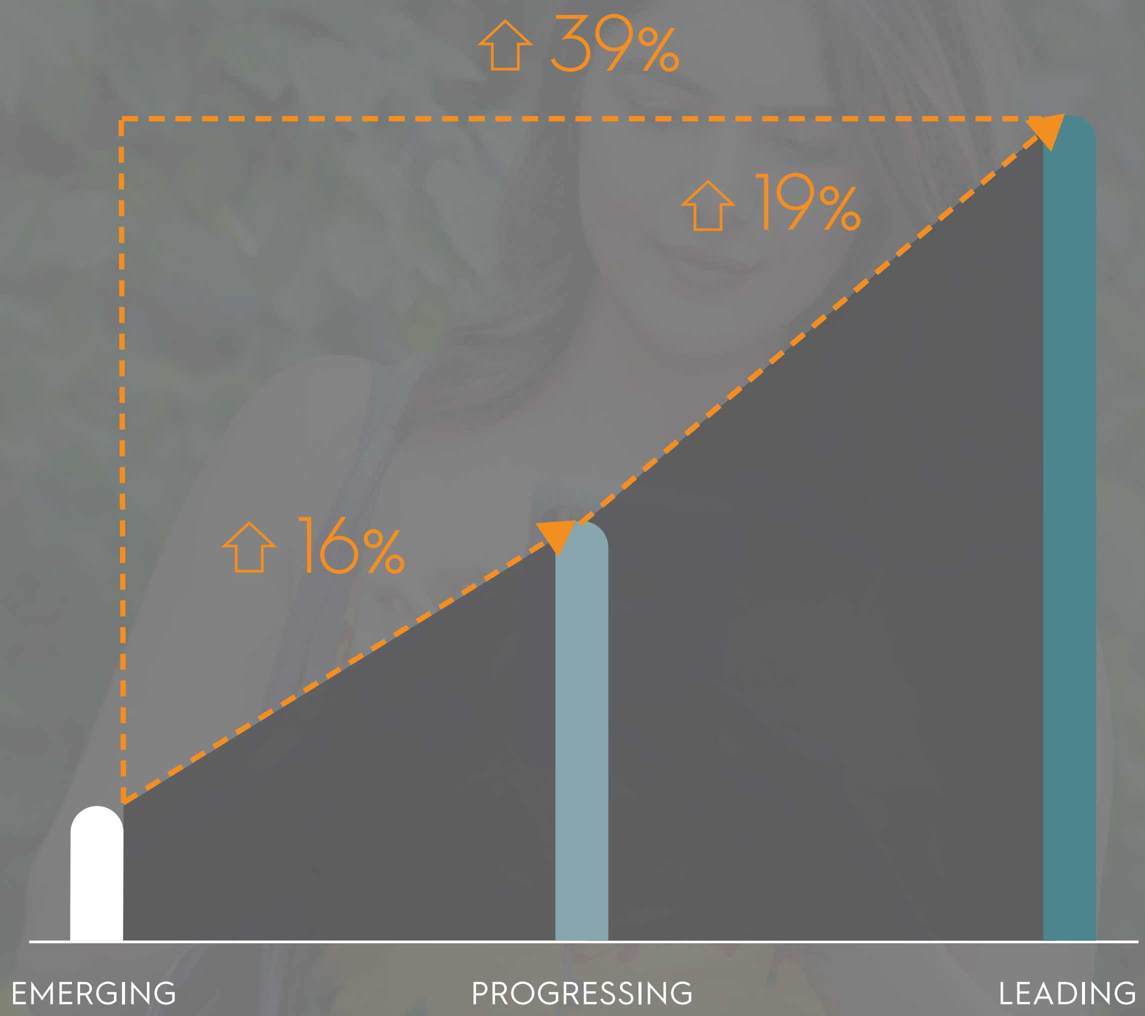
Includes mobile sites that pass basic mobile web usability. Maturity determined via Criteo-tracked metrics indexed against performance on desktop sites. Mobile friendliness determined with Google's Mobile Friendly Test.

Leaders in mobile web maturity convert 39% more than the back of the pack.

Retailers that succeed at retaining users and attracting product views drive 39% more mobile web conversions than Emerging retailers. Retailers on the low end of the maturity spectrum have yet to effectively encourage product browsing and reward returning visits.

To survive, Emerging retailers must close this gap. Not only does mobile web generate nearly half of all mobile transactions globally, major search engines (e.g., Bing, Google) also use mobile-friendly attributes to inform search rankings. What's more, new advancements have already arrived, such as Accelerated Mobile Pages and Progressive Web Apps.

Mobile Web Conversion Rate by Maturity



Includes mobile sites that pass basic mobile web usability. Maturity determined via Criteo-tracked metrics indexed against performance on desktop sites.

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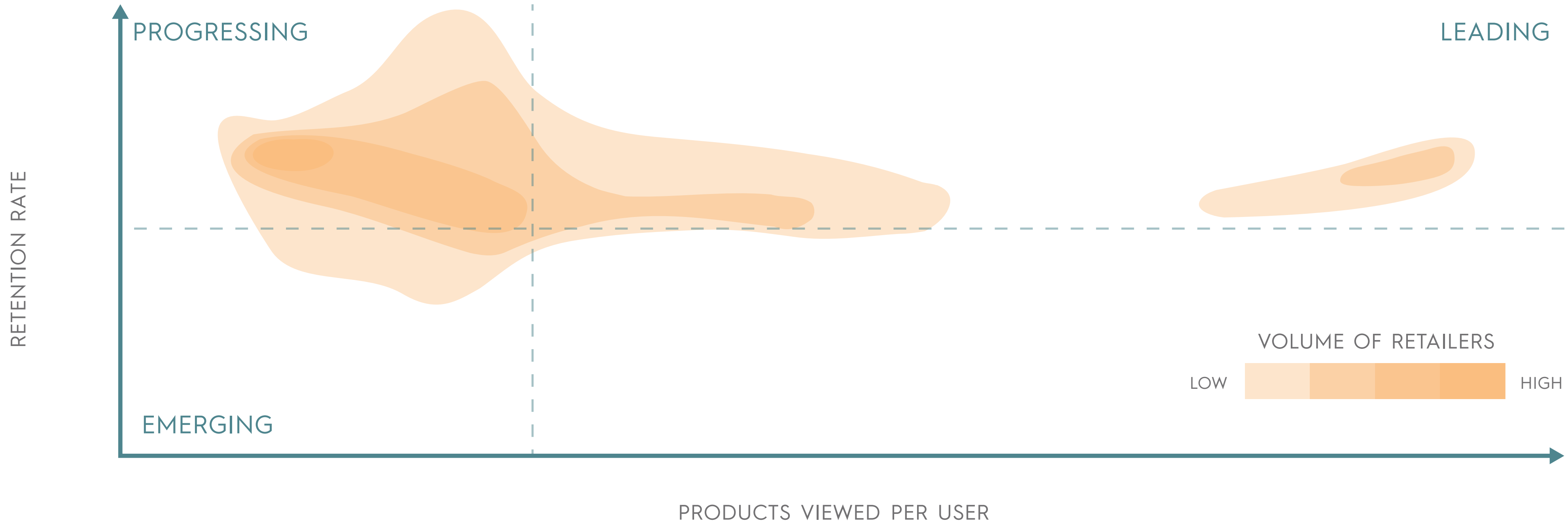
How we define app maturity.

Emerging
Mobile-commerce-enabled app is accessible via at least one operating system.

Progressing*
Mobile app retains more than half of new users within their first 30 days.

Leading*
Mobile app attracts more products browsed per user than lower tiers.

* Higher levels of maturity include capabilities from lower levels

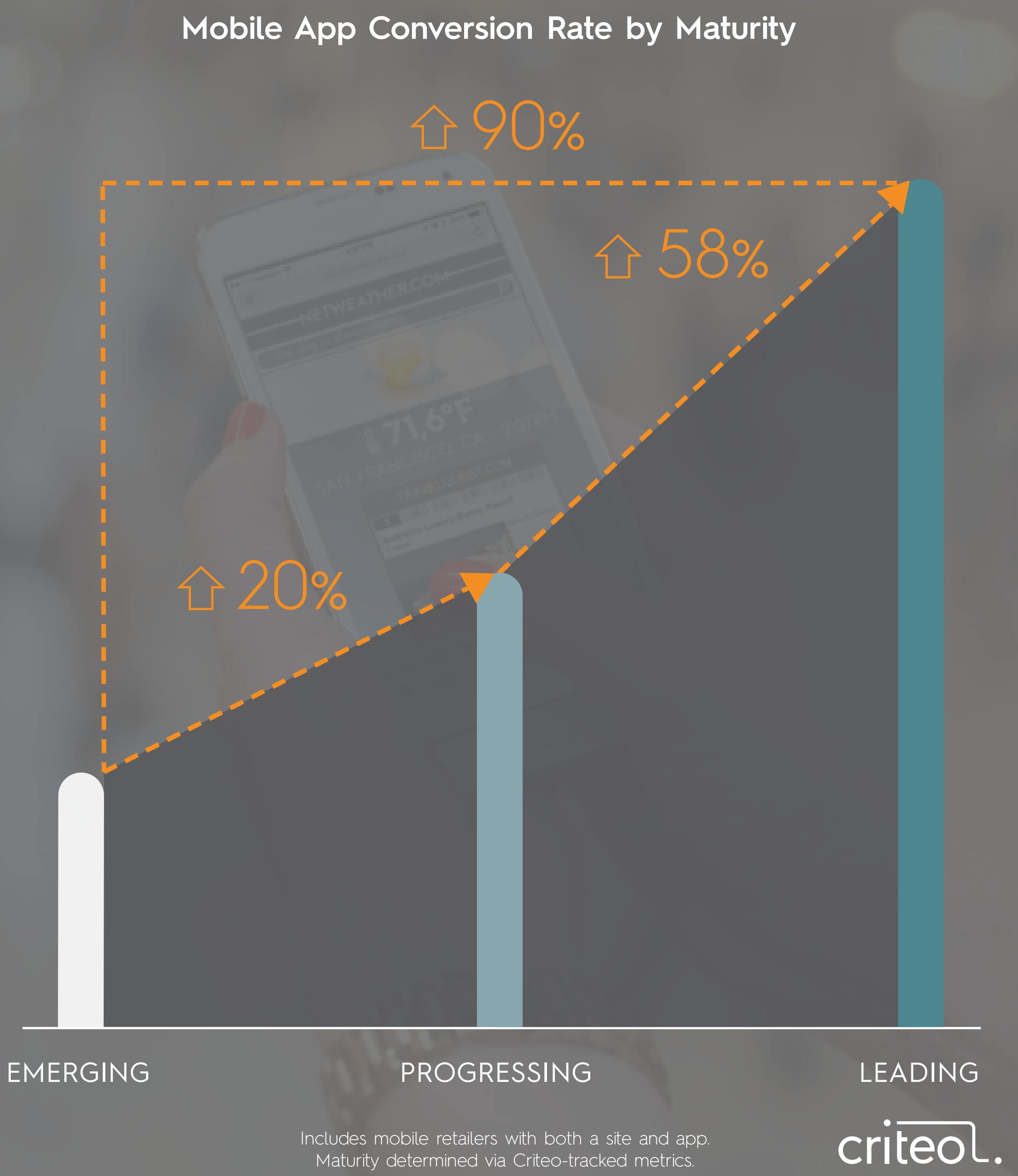


Includes sites that have both a mobile website and app and over 25% of eCommerce transactions on mobile, 5% of which are from mobile apps.

Leaders in mobile app maturity drive 90% more conversions than the back of the pack.

Retailer apps that maximize new user retention and product views per user attract 90% more conversions than Emerging retailers.

Leading app retailers are better at identifying user value, anticipating individual consumer needs, highlighting relevant catalog items and rewarding new users for return visits.



Recommendations for increasing usability conversions.

Encoding discovery

- Show products people can expect to find on your homepage
- Allow users to search within categories
- Be sure carousels don't move too quickly, and never use them as the only path to a landing destination

Simplify product browsing

- Allow users to easily view product details by honoring image zoom gestures
- Make the shopping cart a save feature to allow users to easily save and re-access products of interest

Optimize checkout

- Make guest checkout the most prominent option and collapse all sign-in options (e.g., existing account, create new account)
- Use touch-optimized keyboards for specific input types (e.g., numbers, email)
- Disable auto-correct in input fields during checkout
- Display in-store pickup options next to shipping options

* Criteo partnered with Baymard in the development of these mobile usability best practices. More information may be found at www.Baymard.com.

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A look ahead.

The Big Opportunities

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As commerce evolves and retailers are faced with increasing profitability pressures, brand and customer experience will become a primary differentiator. Mobile retailers that provide a rich and personalized experience across all devices and environments will continue to outpace the industry average.

While Fashion has been leading mobile commerce to this point, there will be considerable opportunities for mobile commerce growth for all retail categories.

Apps will continue to be the most efficient channel, especially for engaging new users, until mobile web technology advances to meet the expectations of shoppers accustomed to an app experience.

Globally, smartphones will become the device of choice for commerce, especially as network latency and capacity improve, device capabilities advance and more retailers design for mobile-friendly experiences.

Mobile Commerce Report Methodology

Individual transaction data analyzed

Over **3,300** online retail businesses globally

1.7 billion transactions per year across desktop and mobile sites

$720 billion in annual sales

How can marketers use this data?

Benchmark your performance on relevant KPIs for your mobile browser, mobile app and cross-device channels

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Definition of metrics

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Metric	Definition	Formula
Share of transactions	The percentage of transactions that occur by device, operating system and environment during the total period.	Device transactions/total transactions
Conversion rate	The share of unique product page visitors who have made a purchase within a given time period.	Unique buyers / unique product page visitors
Products viewed per user	The average number of products viewed by each visitor within a given time period.	Total number of products viewed/visitors
Add-to-basket rate	The share of unique product page visitors who have added products to their basket within a given time period.	Unique add-to-basket users/ Unique product page visitors
Checkout rate	The share of unique visitors who have finalized a transaction after having added products to their basket	Unique buyers/ Unique add-to-basket users
Share of mobile-friendly websites	The share of retailer websites in a given country that meet Google's standards based on the Mobile Friendly Test	All retail businesses included in this study were tested by **Google's Mobile Friendly Test**
New user retention rate	The share of new users that return within a 30-day window.	New users returning at least once within 30 days/total unique visitors
Weekly retention rate	The share of weekly returning visitors within a 30-day window.	For each retailer: Unique weekly visitors/unique monthly visitors

About Criteo

Criteo (NASDAQ: CRTO) delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has 2,000 employees in 31 offices across the Americas, Europe and Asia-Pacific, serving 12,000 advertisers worldwide with direct relationships with 17,000 publishers.

Criteo ads reach over 1.2 billion unique Internet users (comScore, January 2016).

This and future Mobile Commerce reports may be found at:

www.criteo.com/resources/mobile-commerce-report/