



A Discussion of US e-commerce (B2C)

Presented to
IWL-Logistiktag 2010

10 June 2010

For more information, please visit our web site: www.TheProgressGroup.com

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Agenda

- **The Progress Group background**
- **Trends and Future of Retail e-commerce**
- **A Case Study**

Who is The Progress Group?

- **Established in Atlanta, USA in 1991 and Mumbai, India in 2005**
- **Have developed logistics strategies and operations designs in a variety of industries:**
 - Consumer goods
 - Retail distribution
 - Wholesale distribution
 - E-commerce fulfillment
 - Grocery
 - Manufacturing
 - Automotive
 - Healthcare
 - Telecommunications
 - Textiles/Apparel
- **A partner in The Supply Chain Group (SCG) AG, an international organization of supply chain consultancies from Europe & North America**



Our Resources

THE SUPPLY
CHAIN GROUP
www.the-scg.com



The Progress Group	US
Logistics Simulation	UK
IWLAG	Ger
ELOKON Logistics	Pol
Alfa Coplan	Italy

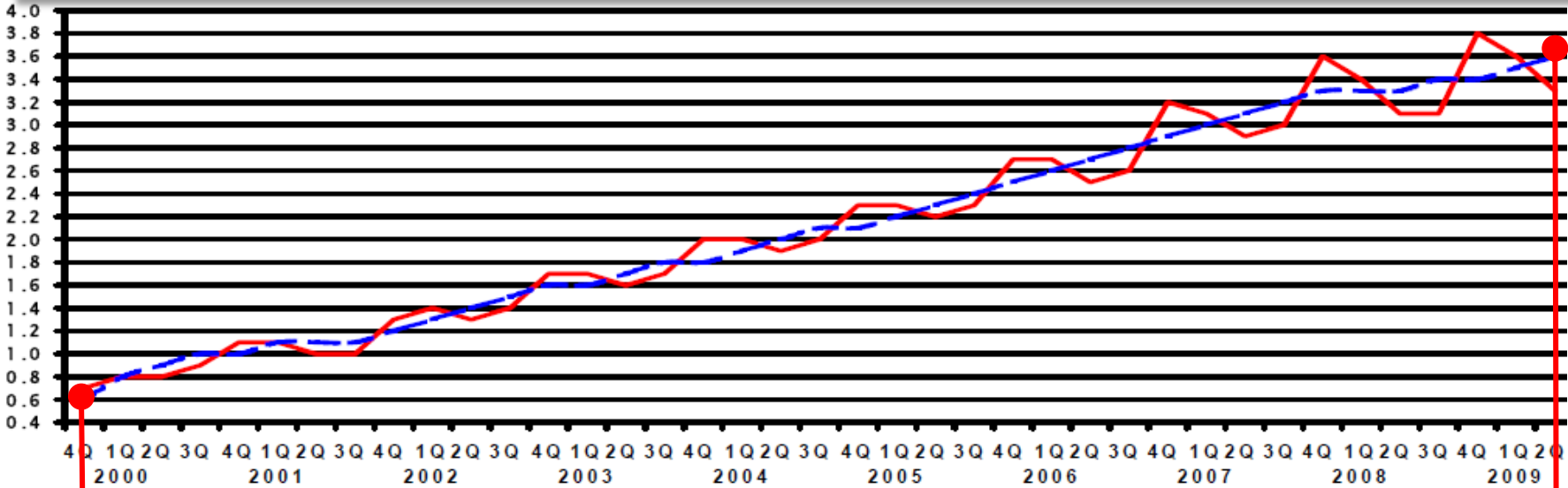




Trends and Future of Retail e-commerce

Growth Of E-commerce as a % Of Retail Sales

Estimated U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales



0.7%
2000

5x

3.4%
2009



US e-commerce growth projections

2010 US retail e-commerce projections:

- Sales expected to climb by 12.7% on volume of \$152 billion.
- 162 million people will research products online - 82% will make a purchase
- Recession recovery – online recovering 2x faster than brick & mortar

US Online Shoppers, 2007-2012 (millions and % of Internet users)

2007	133.1 (79.0%)
2008	138.5 (80.1%)
2009	143.7 (80.8%)
2010	148.7 (81.4%)
2011	153.5 (81.9%)
2012	158.2 (82.5%)

Note: ages 14+
Source: eMarketer, May 2008

095014

www.eMarketer.com

18% increase 2007-2010

US Retail E-Commerce Sales, 2007-2012 (billions and % change)

2007	\$127.7 (19.8%)
2008	\$146.0 (14.3%)
2009	\$164.3 (12.5%)
2010	\$182.5 (11.1%)
2011	\$200.6 (9.9%)
2012	\$218.4 (8.9%)

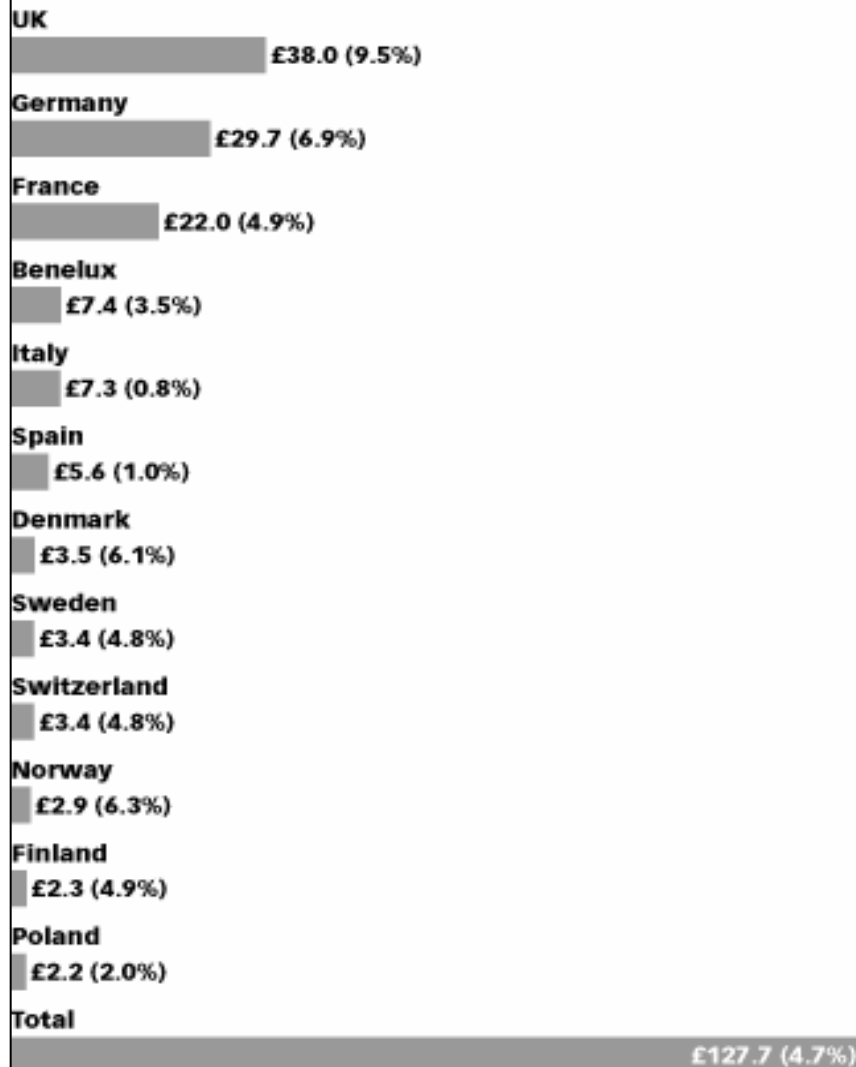
Note: eMarketer benchmarks its retail e-commerce sales figures against US Department of Commerce data, for which the last full year measured was 2007; excludes travel sales
Source: eMarketer, May 2008

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www.eMarketer.com

72% increase 2007-2010

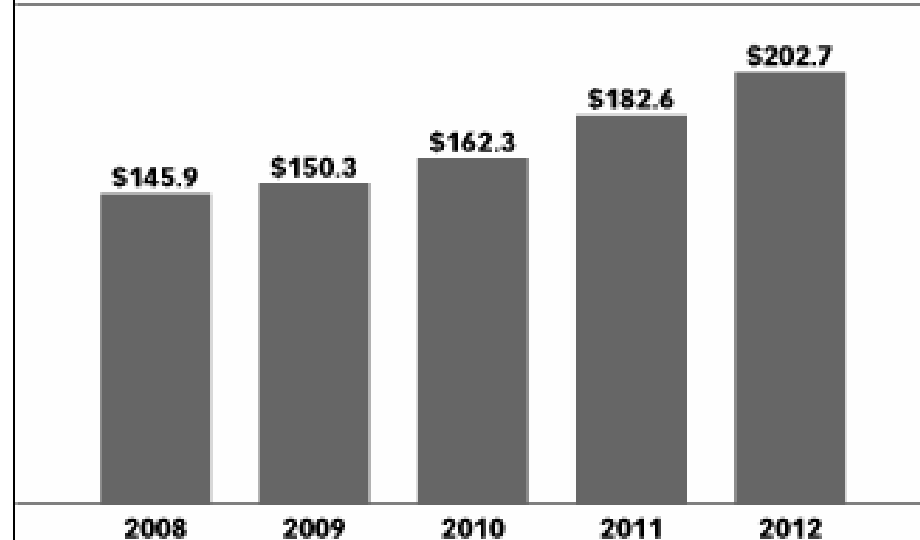
Retail E-Commerce Sales in Select Countries in Europe, 2009 (billions of £ and % of total retail sales)



Note: excludes event ticket sales, travel sales, online banking and insurance sales
 Source: Kelkoo study conducted by Centre for Retail Research, February 1, 2010

E-commerce growth projections in Europe ...

Retail E-Commerce Sales in Western Europe, 2008-2012 (billions)



Note: excludes travel, financial services and event ticket sales; 2009-2012 CAGR=10.5%
 Source: Collins Stewart LLC, "Internet & Software: 2010 Internet Outlook," provided to eMarketer, January 11, 2010



Why E-commerce growth?

Buyer side view

- Convenience
- Lower prices
- More selection
- Instant comparisons
- “Internet commerce comfortable” generation becoming the majority in the market

Seller side view

- Higher profit margins
- Offer more and different products
- Offer small/tall/big sizes that can't be represented in stores
- Efficiency of managing inventory from single location
- More geographic reach
- Instant marketing reach to motivate sales



- **Non-traditional sellers entering online channel (P&G)**
- **Increase in integration of retail and e-commerce channels**
 - Consolidation of organizations
 - More aggressive cross-channel marketing
 - Inventory for one channel backs up sales of other channel
- **E-commerce kiosks inside stores**
- **E-commerce sales with pickup at local stores (avoid transportation)**

Wall Street Journal - May 20, 2010

Nordstrom Inc. and Jones Apparel Group Inc. are increasingly using their large store networks, in addition to big centralized distribution hubs, to ship online orders quickly to buyers nearby.

New inventory management software helps them increase efficiency in part by using online orders to keep excess inventory from building up in stores.

Sucharita Mulpuru, Forrester e-commerce analyst:

“The web continues to win because it’s a channel where consumers can easily price compare, where the selection continues to be superior. It’s a channel that consumers are getting more accustomed to every day now that more consumers have more access to the web more hours daily than ever before, and because the shopping experience frankly is getting to be more fun. You can create outfits online, you can share products with others, you can read customer opinions on topics, you can watch videos. It’s a much more immersive experience than ever before and that engages people.”

Anne Brouwer, Sr. Partner with retail consulting firm McMillan Doolittle:

“With the recession and high gas prices, consumers are deciding it's cheaper and easier to shop online,” she says. “It's open 24/7 and solves a lot of problems.”



A Case Study

**unable to provide due to
confidentiality requirements**