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E-commerce Study in Mexico 2016

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Objective and Vision of the Study

The Mexican Internet Association, A.C. (AMIPCI) integrates the companies that represent an influence on the development of the Internet industry in Mexico. Every year, the AMIPCI undertakes the task of carrying out studies based on the use of Internet in Mexico to guide and promote market growth.

Aware of the need to understand and analyze the aspects that can affect the e-commerce in our country, AMIPCI presents the Study of Ecommerce Mexico 2016, which is already the 11th version and is divided into two sections, that investigates components Ecommerce: Online Buyers and Ecommerce Landscape.

The study was conducted through the auspices of MASTERCARD Prosoft 3.0 and the Ministry of Economy. The realization was conducted by comScore.

Analyses were performed by interviewing online buyers in Mexico and the leading e-commerce players in the country to have the vision of both supply and demand.

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The Shopper Experience's Survey

Summary of Results - September 2016

Objectives & Methodology

Research Objectives:

- Quantify e-Commerce value and volume in Mexico by device type and category.
- Understand preferences and satisfaction of digital shoppers.
- Understand barriers to digital shopping and how merchants can overcome them.
- Compare the 2016 AMIPCI ecommerce results to those from the 2015 study.

Study Methodology:

- Members of an online survey panel were contacted via email.
- A total of 1,829 respondents completed the survey from August 10 to August 18, 2016.
- Qualified respondent: Made an online purchase using a computer, smartphone, or tablet in the past 3 months (May – July 2016).
- 25 to 30 question survey, which took 15 to 20 minutes to complete.
- Data weighted to Media Metrix audience on age and gender prior to analysis.
- Trending – note that the 2015 and 2016 studies are compared; however, participants were surveyed in different time periods. Although there may be some seasonality differences in purchase habits across certain categories, for the purpose of this research we are assuming that the overall data are comparable.

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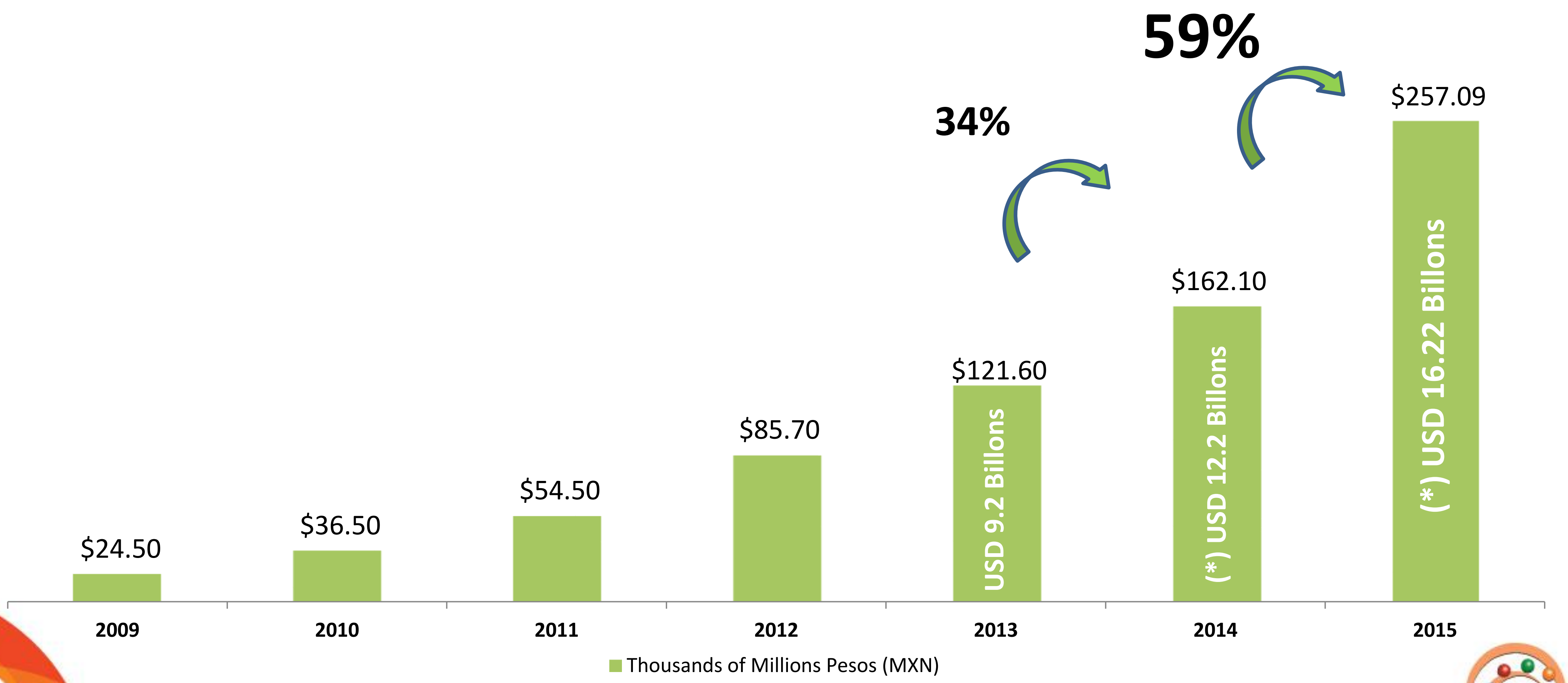
Estimated Value of the Ecommerce Market in Mexico 2015

The Ecommerce's Evolution in Mexico



(*) Average Exchange Rate 2015: MXN 15.85 = 1 USD

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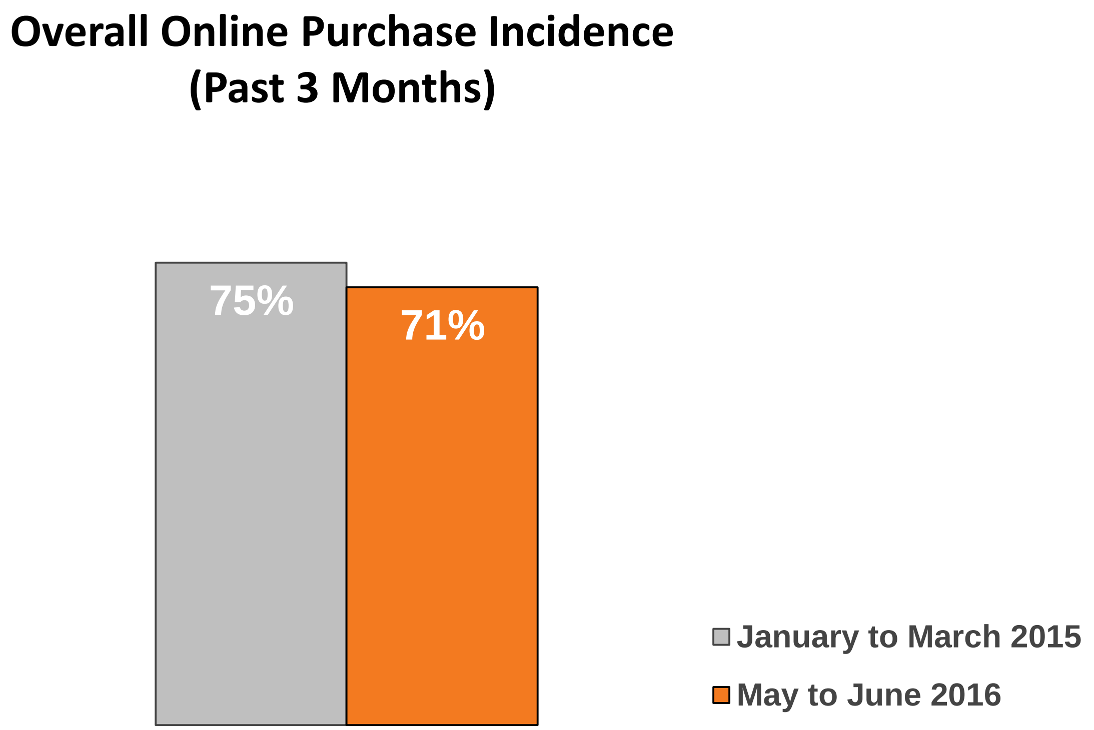
Digital Purchase Behavior

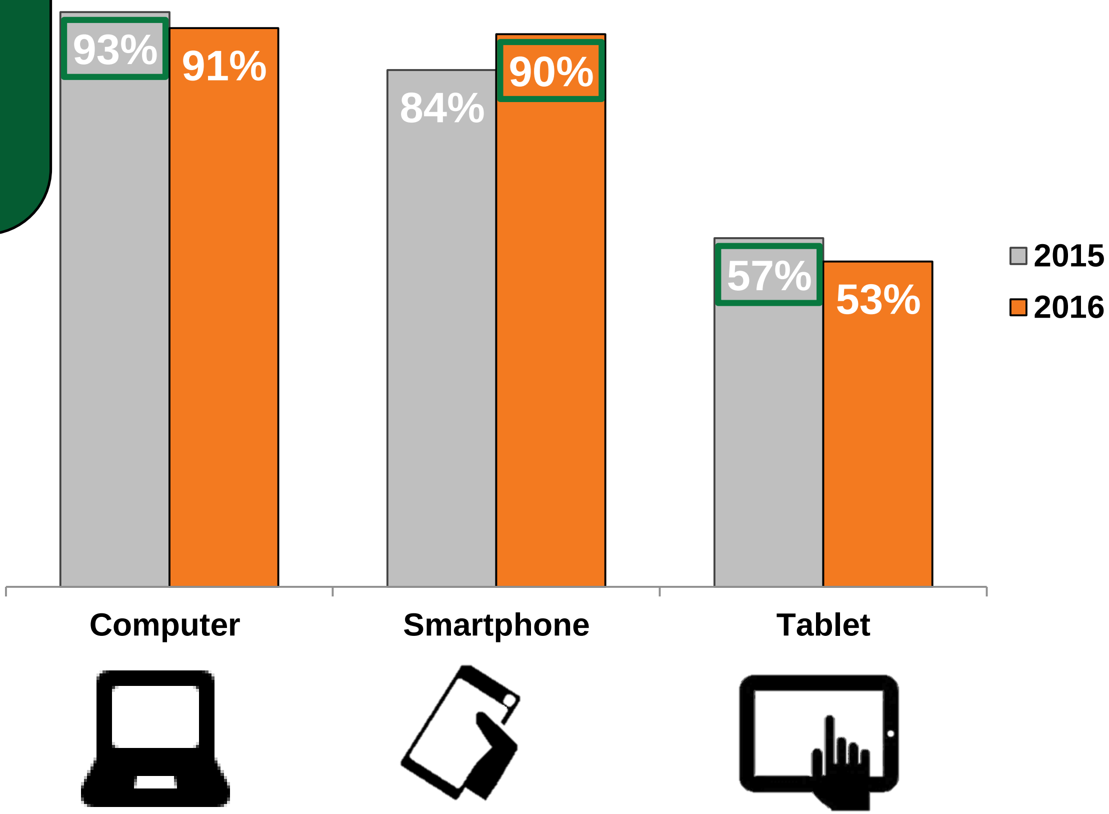
About seven in ten online Mexicans made a digital purchase from May to July 2016.

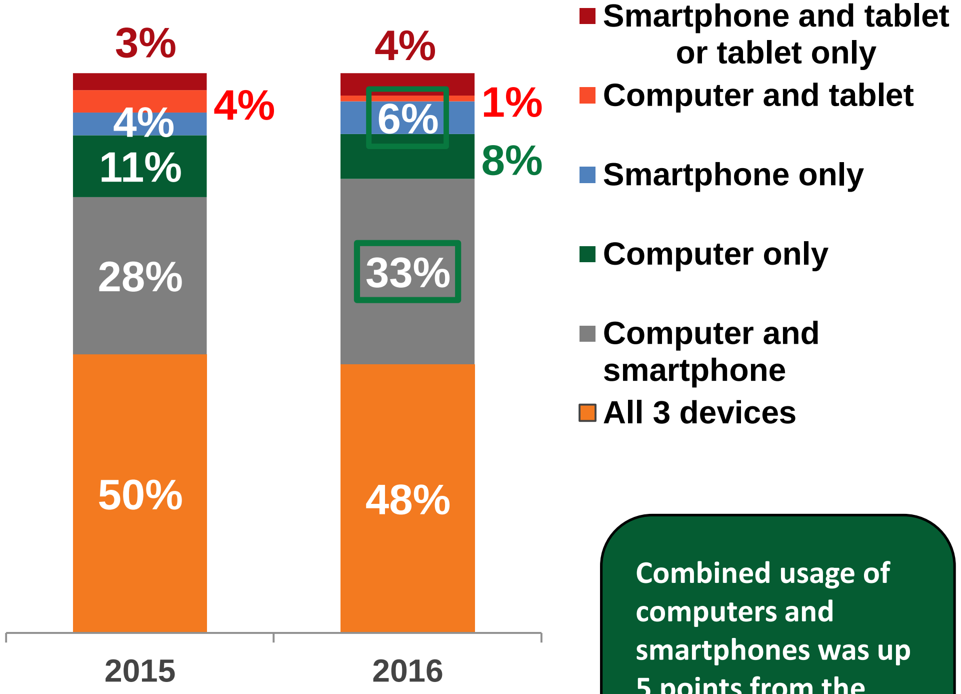


Q1B. How many online transactions did you make using each device in the past 3 months? Please provide your best estimate of the number of times you have paid for something online.
Base: Total respondents; 2016 (n=2,491): online shoppers (n=1,829) + screened respondents (n=662); 2015 (n=1,660): online shoppers (n=1,243) + screened respondents (n=417)

Device penetration was high, with almost half of online shoppers owning or regularly using all three devices (computer, smartphone, and tablet).

Shoppers 18-34 years of age were more likely to own or use smartphones than those aged 35+; those with SEL AB, C+ were more likely than their counterparts to use all devices.





Combined usage of computers and smartphones was up 5 points from the 2015 measurement period.

S1. Among the devices listed below, which do you own or regularly use? *Please select all that apply.*
Base: Online shoppers: 2016 (n=1,829), 2015 (n=1,243)
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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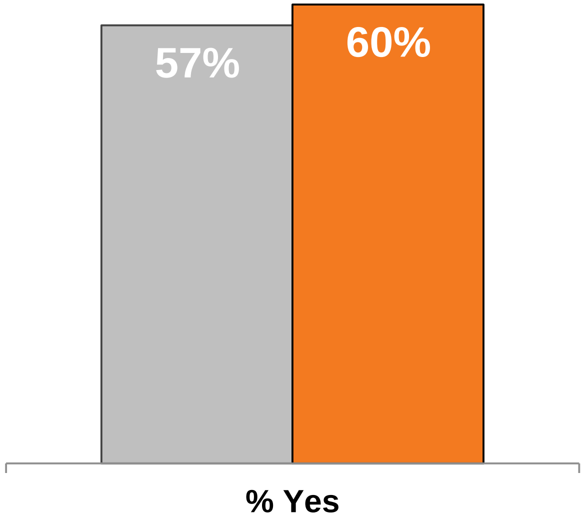
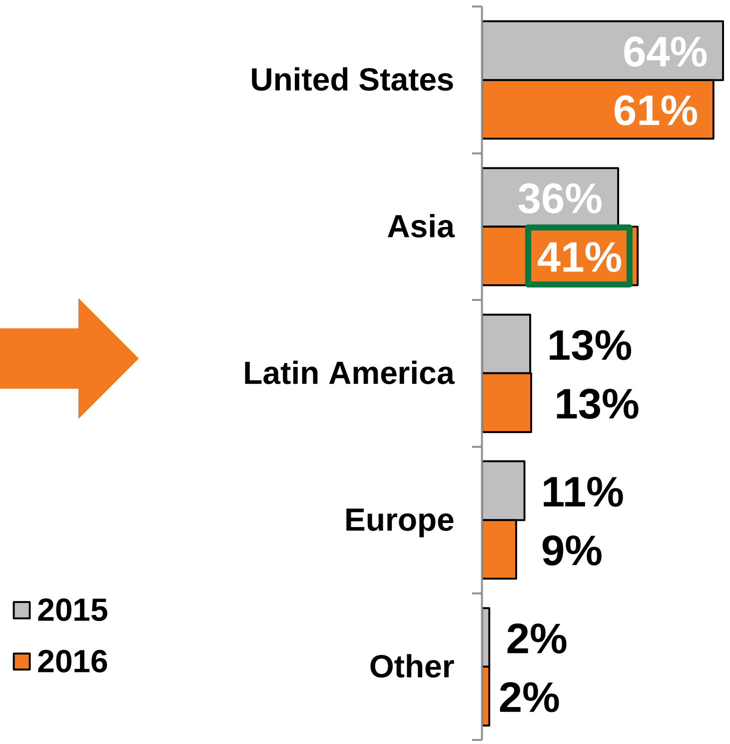
Three in five shoppers purchased from an international retailer in the past year, with the U.S. being the top source for imported items.

International Purchases



Country Purchase Location



Q2. In the past year, have you made an online purchase from an internationally-based retailer (i.e. located outside of Mexico) and had it shipped to you or someone else in Mexico? | Base: Online shoppers: 2016 (n=1,829), 2015 (n=1,243)

Q2b. In which country or countries were those internationally based retailers located? *Please select all that apply.* | Base: International online shoppers: 2016 (n=1,112), 2015 (n=707)

Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

Better price and selection were the top reasons for purchasing with an international retailer.

Q2c. Why do you shop from international retailers?
Base: International online shoppers : 2016 (n=1,112), 2015 (n=707)
** Data has been updated from what was incorrected reported in the 2015 report.
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

Data has been updated from what was incorrectly reported in the 2015 report. It was corrected here.

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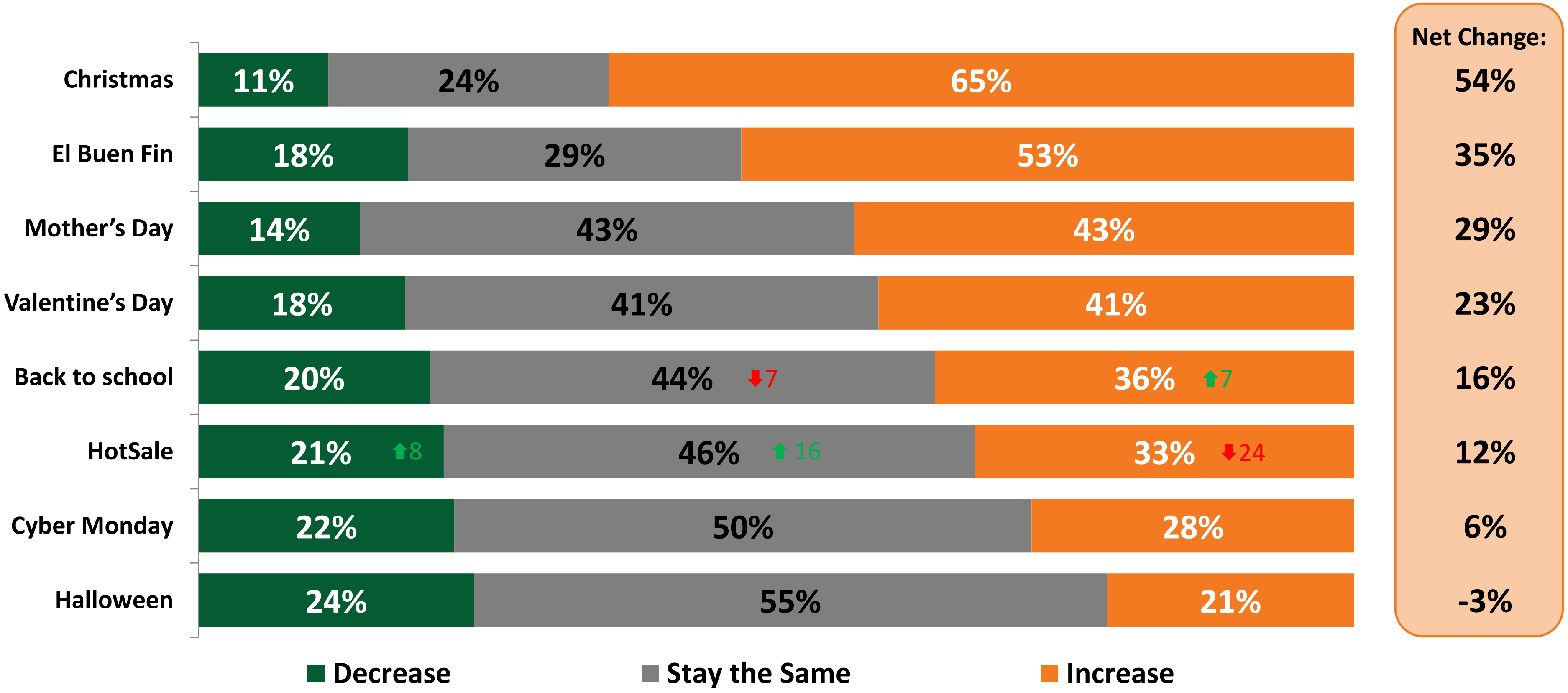
Online shopping and buying were expected to increase more tan decrease around all holidays except for Halloween.

More shoppers with SEL AB said their shopping would increase at Christmas, Mother's Day, and HotSale than those with SEL C or below.



Q6. Comparing your everyday online shopping habits with your habits around holidays, how did or do you expect your online shopping and buying to change around each of these holiday periods in 2016?
Base: Online shoppers: 2016 (n=1,829), 2015 (n=1,243)
Net Change = The percentage of expected increase minus the percentage of expected decrease in shopping and buying.
Green arrow/red arrow indicates that 2016 is significantly higher/lower than 2015 at 95% confidence level.

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Digital Spending

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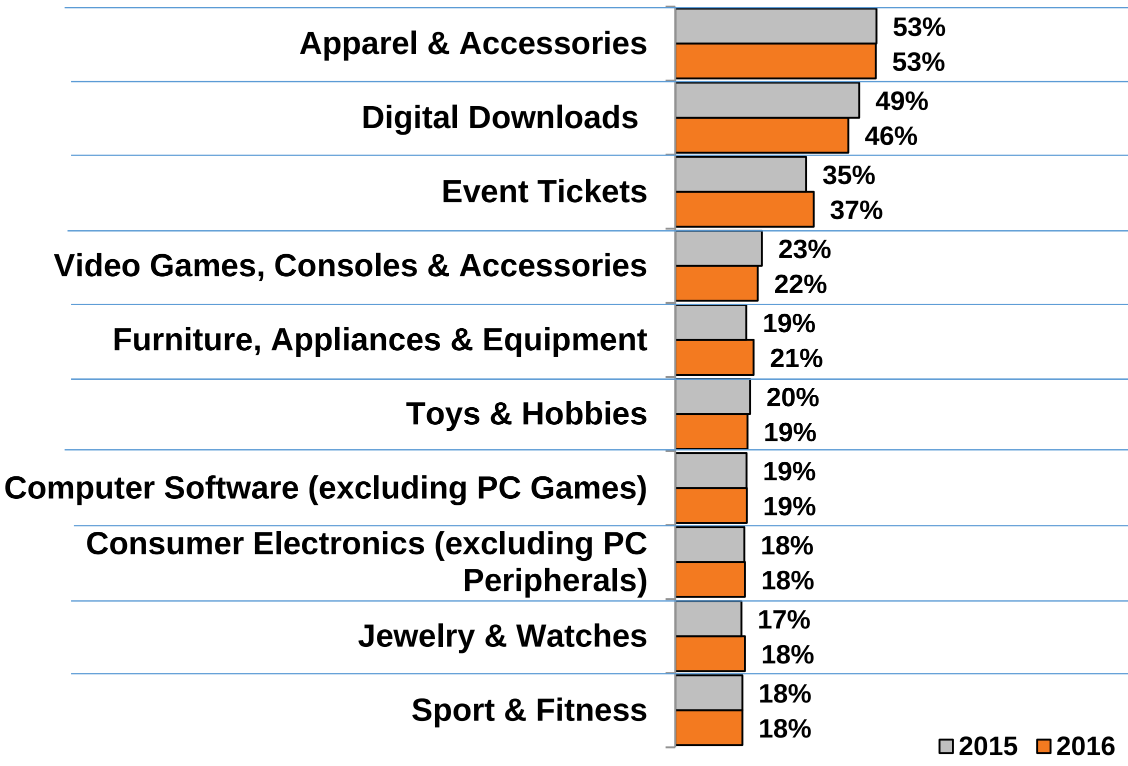
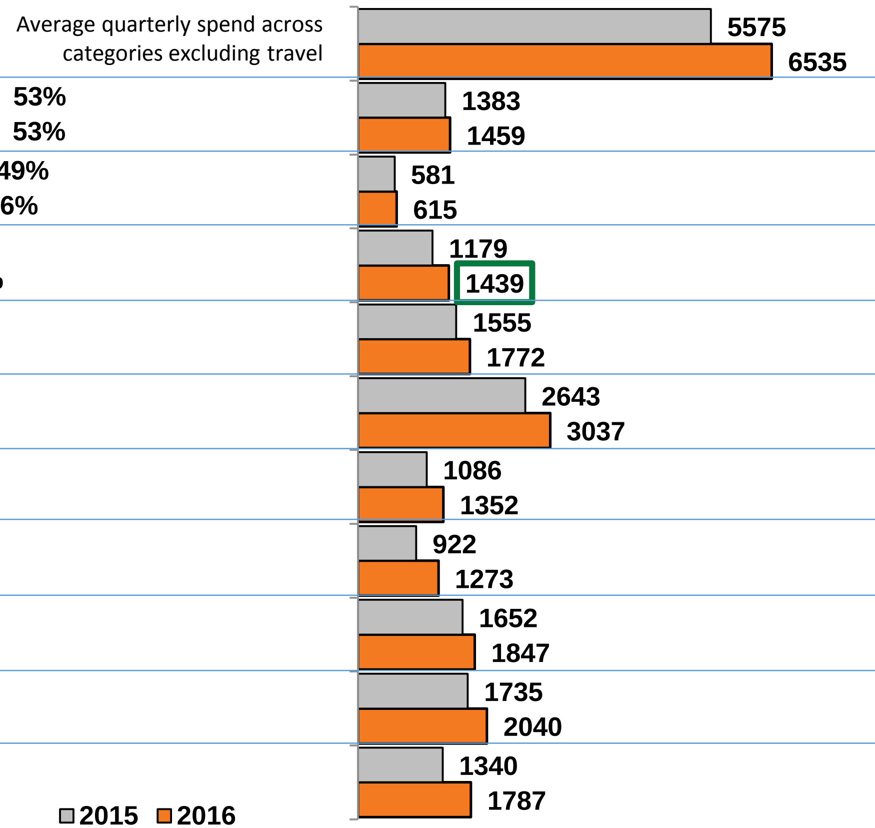
The three top categories purchased online were *Apparel & Accessories*, *Digital Downloads*, and *Event Tickets*; the *Furniture* category yielded the second largest average spend (excluding travel).

Categories Purchased



Average Quarterly Spend Across All Devices (Pesos)*



While based on different time periods of the year, the average spend in May-July 2016 across categories excluding travel was 17% higher than the 2015 measurement period (significant at the 90% confidence level).

Q3. Please take a close look at the table below. Under each category, enter the amount of money in pesos you spent online from May 2016 – July 2016, from each type of device you have used for online transactions.

Base: Online shoppers: 2016 (n=1,829), 2015 (n=1,243); *Actual base size for the mean of each category varies and is determined by the incidence of that category.

Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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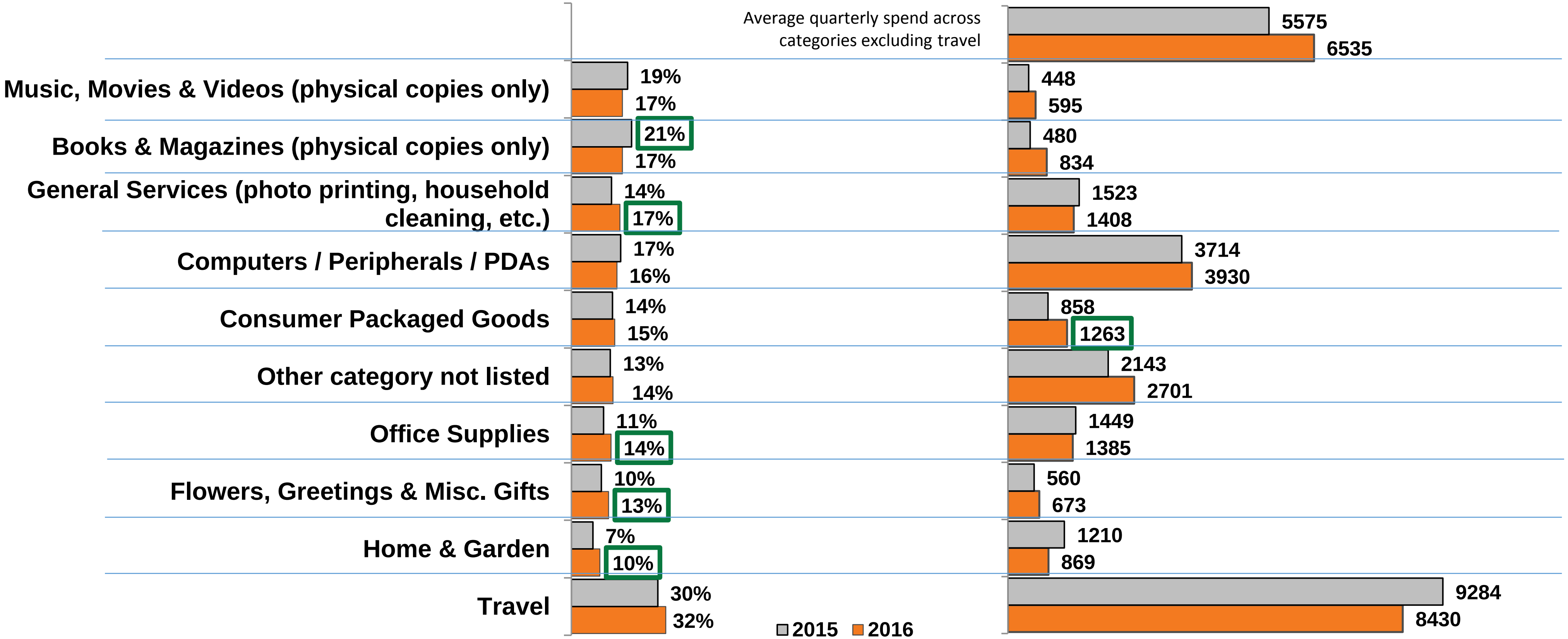
Computers & Peripherals had the largest average spend of the non-travel categories. While only three in ten shoppers made a travel purchase in the past three months, the *Travel* category represented the highest average spend at 8430 pesos

Categories Purchased (continued)

Average Quarterly Spend Across All Devices (Pesos)* (continued)



Q3. Please take a close look at the table below. Under each category, enter the amount of money in pesos you spent <u>online</u> from <u>May 2016 – July 2016</u>, from each type of device you have used for online transactions.
Base: Online shoppers: 2016 (n=1,829), 2015 (n=1,243); *Actual base size for the mean of each category varies and is determined by the incidence of that category.
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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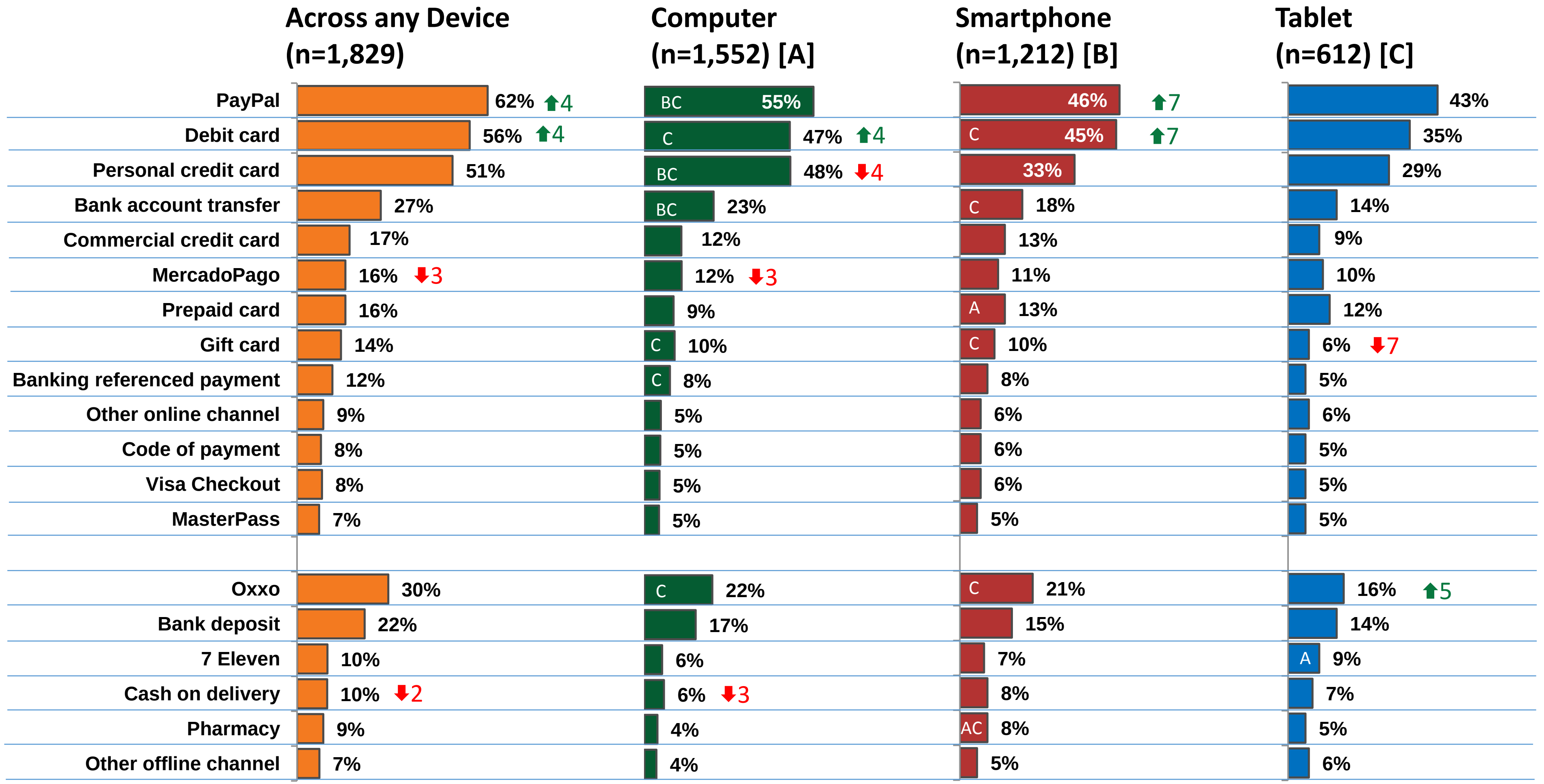
Payments & Transactions

PayPal, debit cards and personal credit cards were the preferred payment methods for online purchases across all devices.

Payment Types Used Past 3 Months

Q4A. Which payment types/channels did you use for the online purchases you made in the past 3 months? *Please select all that apply for each column.*
Visa Checkout and MasterPass were new response options added in 2016.
Base: Device purchasers A B C – Letters indicate that the referenced group is significantly higher than the group with the corresponding letter at 95% confidence level.
Green arrow/red arrow indicates that 2016 is significantly higher/lower than 2015 at 95% confidence level.



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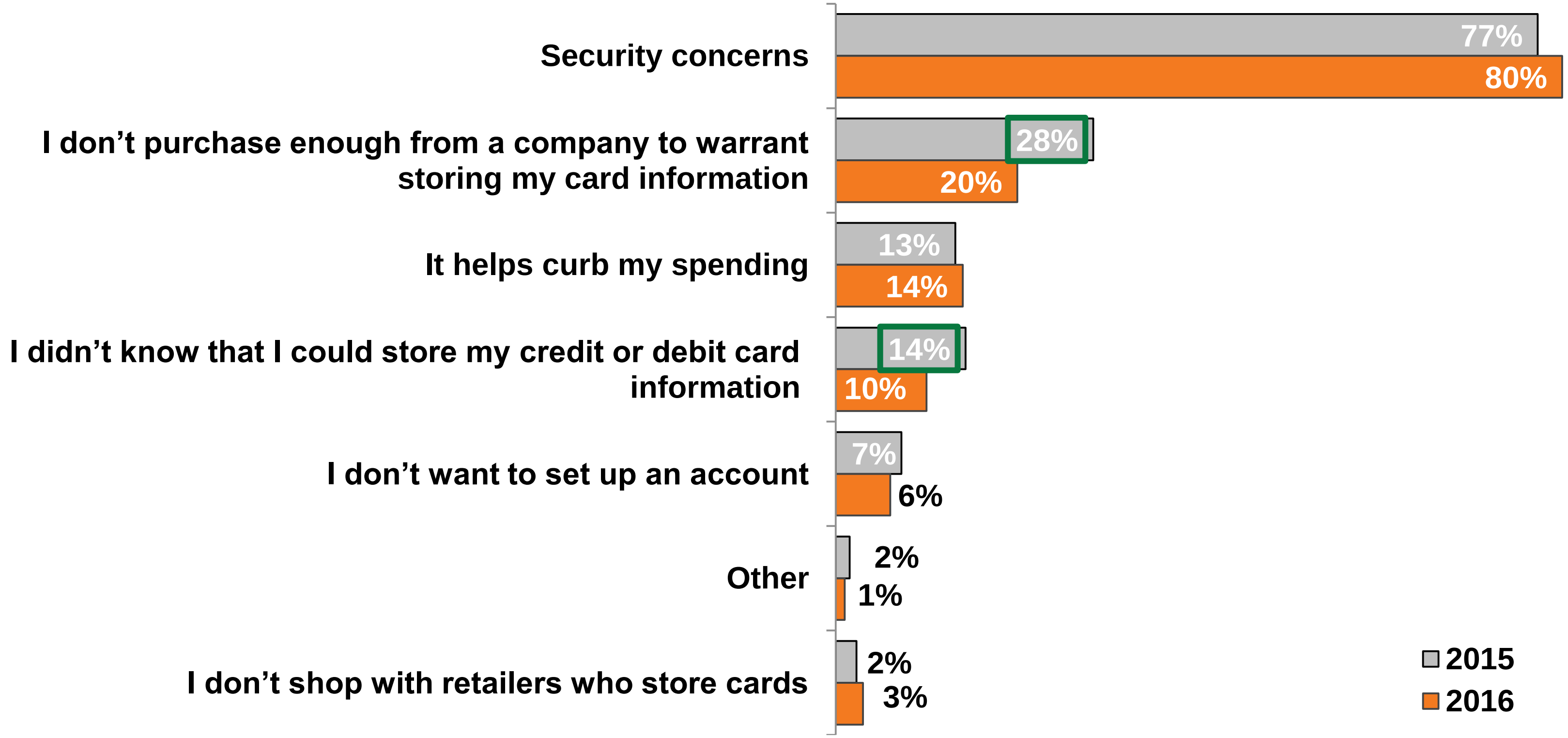
Security concerns were the leading reason for not storing information with online merchants.

Reasons for Not Storing Credit/Debit Information with Online Merchants



Q10b. What are your reasons for not storing your credit or debit card information (e.g., card number, billing address, etc.)?
Base: Do not store any information with online merchants: 2016 (n=730), 2015 (n=430)
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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Digital Shopping Experiences

Shoppers were highly satisfied with shopping both online and in a physical store; satisfaction was highest with online shopping via a computer.

Shoppers 35 years and older were more satisfied with online shopping across devices and with shopping in a physical store than those aged 18-34.

Q5A. How satisfied are you with your overall shopping experience(s) in the last three months?
Base: Device purchasers
Green arrow/red arrow indicates that 2016 is significantly higher/lower than 2015 at 95% confidence level.

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Shoppers indicated that many factors would increase their likelihood to shop with specific retailers, with security of payments, free shipping, and guaranteed return policies topping the list.

Q12. Please indicate your agreement with the following statements: I am more likely to shop with a retailer if…
Base: Online shoppers: 2016 (n=1,829), 2015 (n=1,243)
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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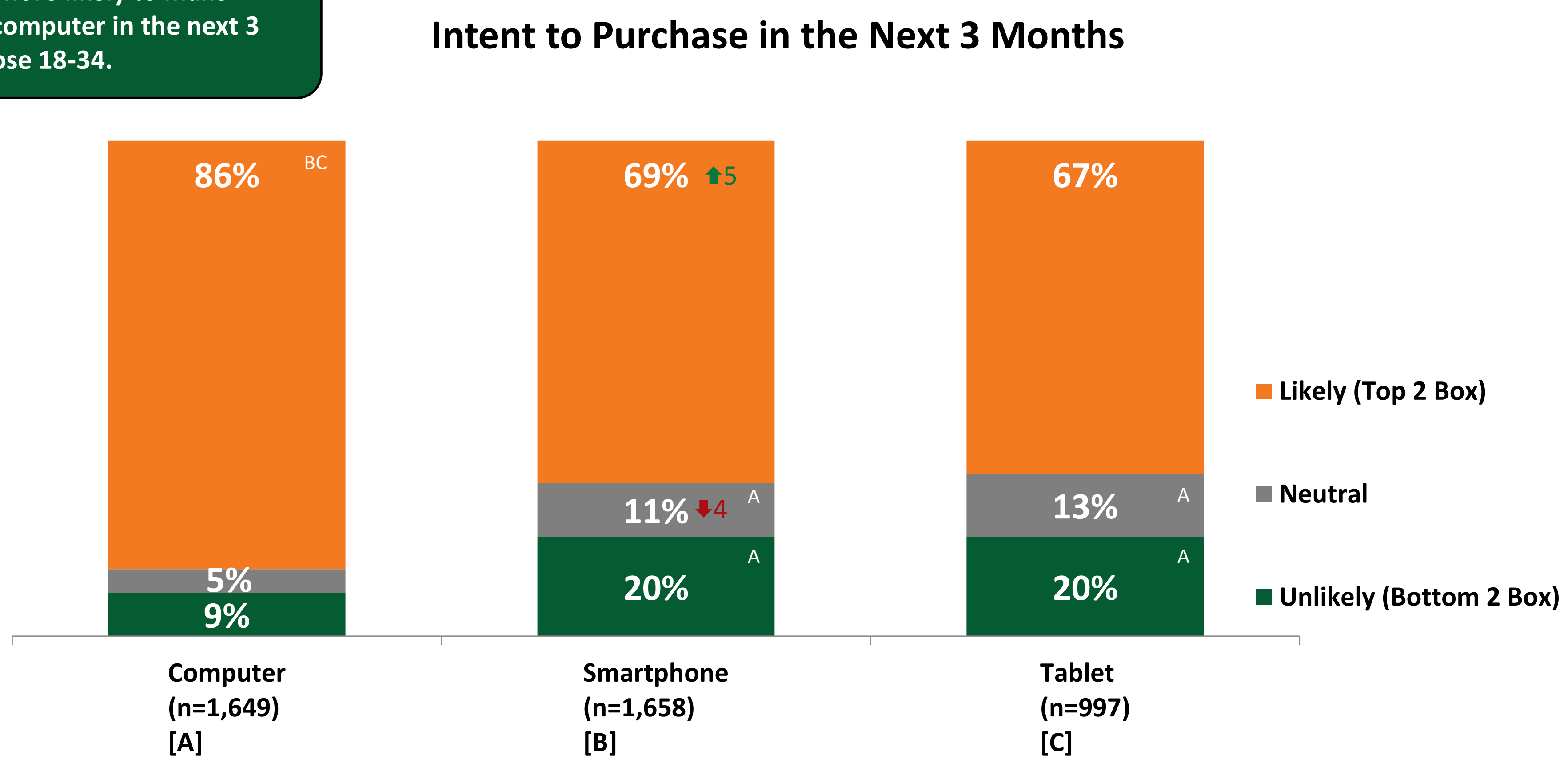
The majority of all shoppers were likely to purchase across devices in the near future; however, intent was highest on a computer.

Users 35+ were more likely to make purchases on a computer in the next 3 months than those 18-34.



Q5B. How likely are you to make a purchase using each of these devices in the next three months?
Base: Device users
A B C – Letters indicate that the referenced group is significantly higher than the group with the corresponding letter at 95% confidence level.
Green arrow/red arrow indicates that 2016 is significantly higher/lower than 2015 at 95% confidence level.

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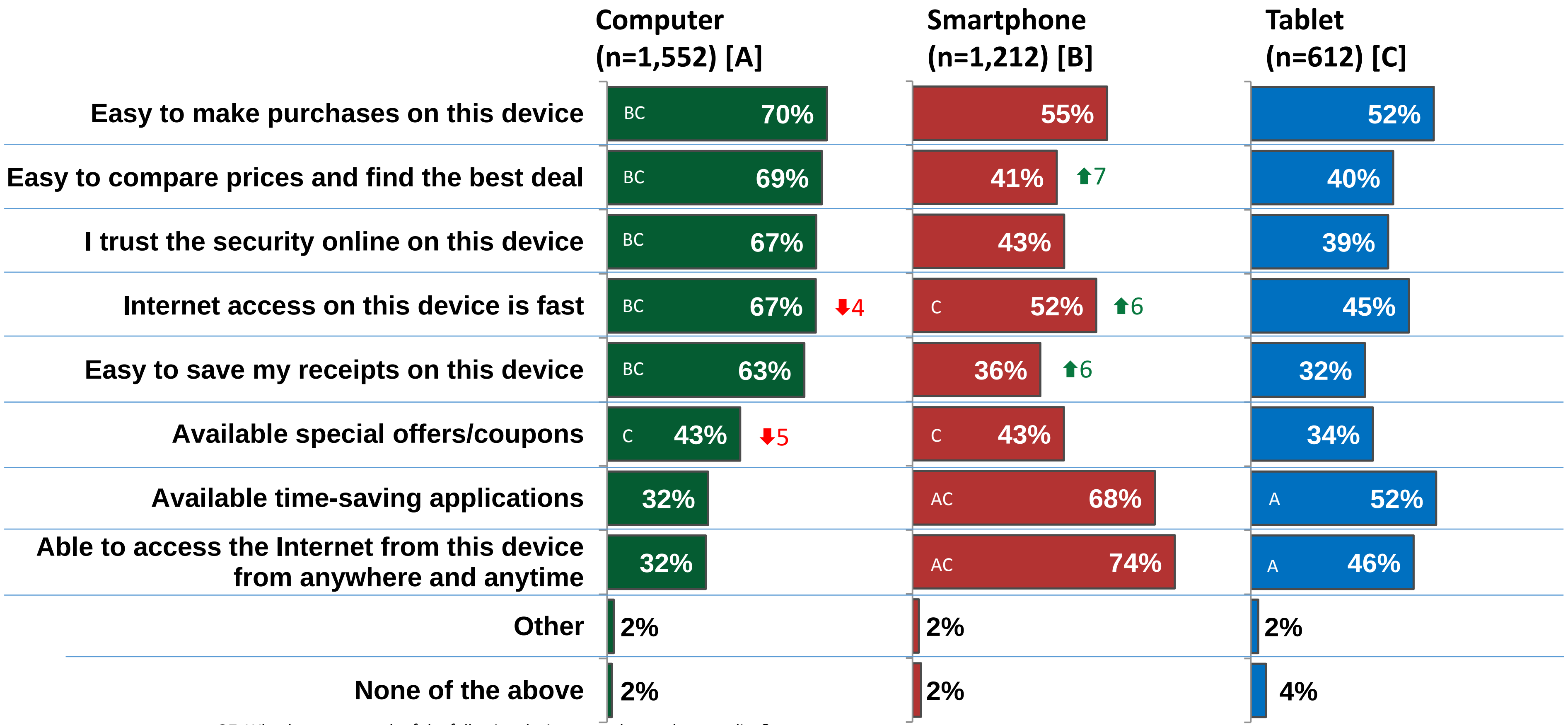
Mobile Shopping Experiences

Compared to computer purchasers, mobile device purchasers were more likely to point out time-saving aps and the ability to access the Internet from anywhere and anytime as reasons for using their devices to purchase online.

Males trust security more than females on a PC. Those 35+ trust security more than 18-34 on a tablet. Those 18-34 use PCs and Smartphones for the available coupons more than users 35+.

Reasons for Device Choice for Online Purchases



Q7. Why do you use each of the following devices to make purchases online?
Base: Device purchasers
A B C – Letters indicate that the referenced group is significantly higher than the group with the corresponding letter at 95% confidence level.
Green arrow/red arrow indicates that 2016 is significantly higher/lower than 2015 at 95% confidence level.

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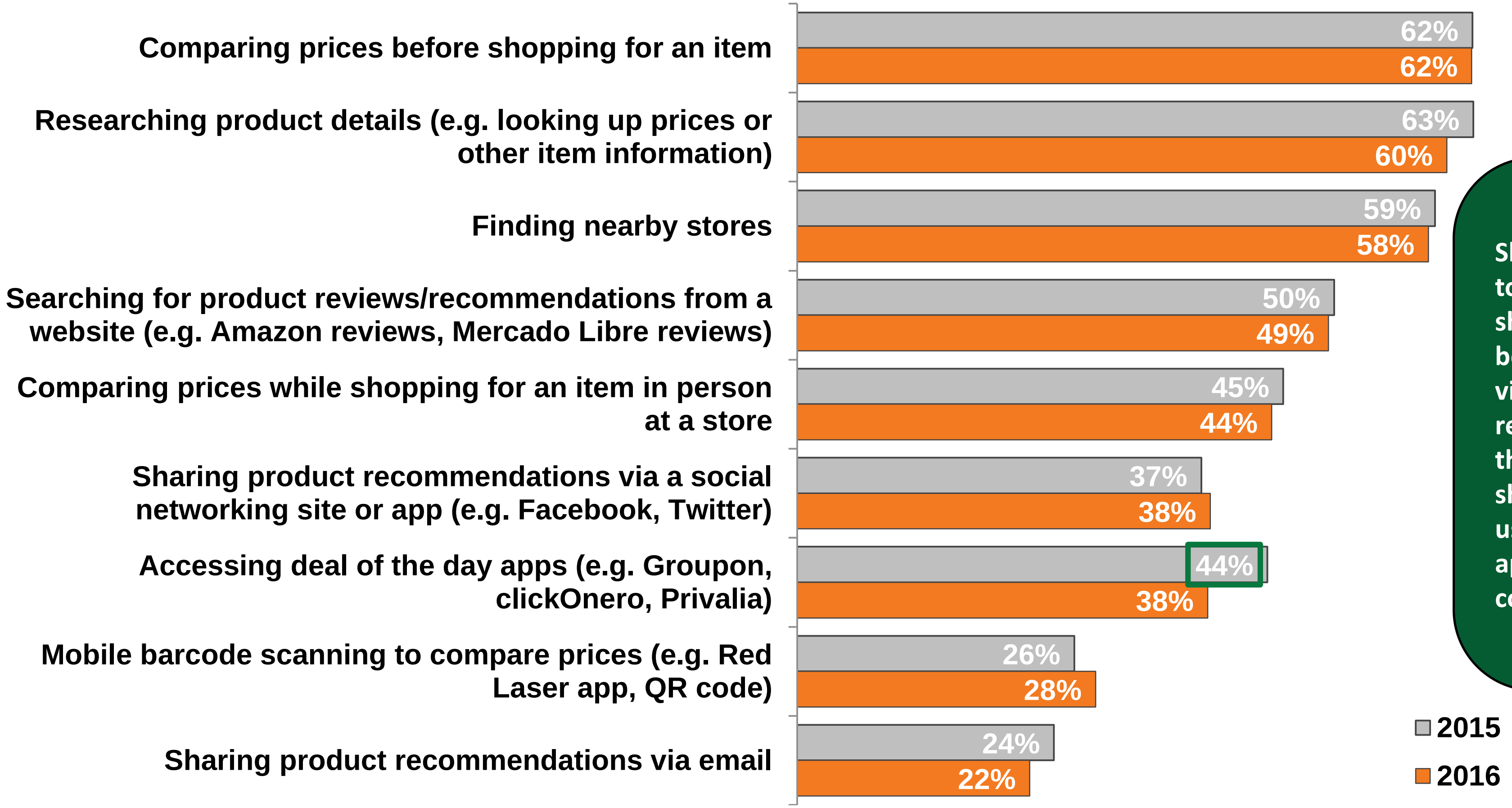
About three in five mobile device users said they used their device to research compare prices, product details, and find nearby stores.

Shopping Activities Conducted on Mobile Device(s)



Shoppers 18-34 were more likely to use their mobile devices for shopping recommendations – both sharing recommendation via social media and seeking recommendations via websites – than those aged 35+. Younger shoppers were also more likely to use their mobile devices for deal apps than their older counterparts.

Q8a. Which of the following activities have you conducted on your mobile device?
Base: Mobile device users: 2016 (n=1,691), 2015 (n=1,103)
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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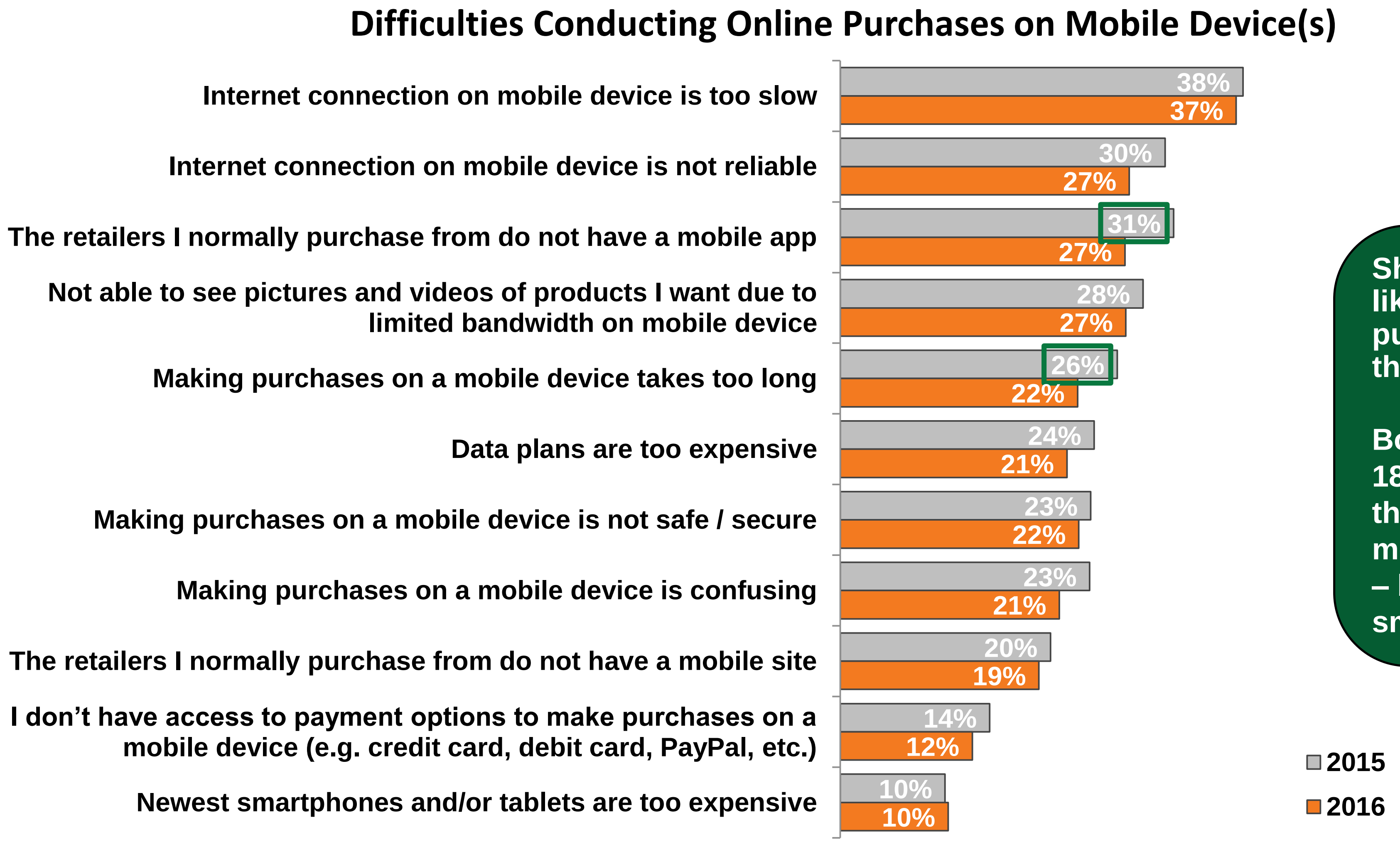
Similar to the 2015 study, over a third of mobile device users indicated slow Internet connections can make it difficult for them to use their devices to make purchases.



Shoppers 18-34 were more likely to find unsafe to make purchases on mobile devices than their older counterparts.

Both males and those aged 18-34 were more likely than their counterparts to find mobile devices too expensive – both the data plans and new smartphones/tablets.

Q8b. Which of the following do you consider as difficulties with using a mobile device to make a purchase?
Base: Mobile device users: 2016 (n=1,691), 2015 (n=1,103)
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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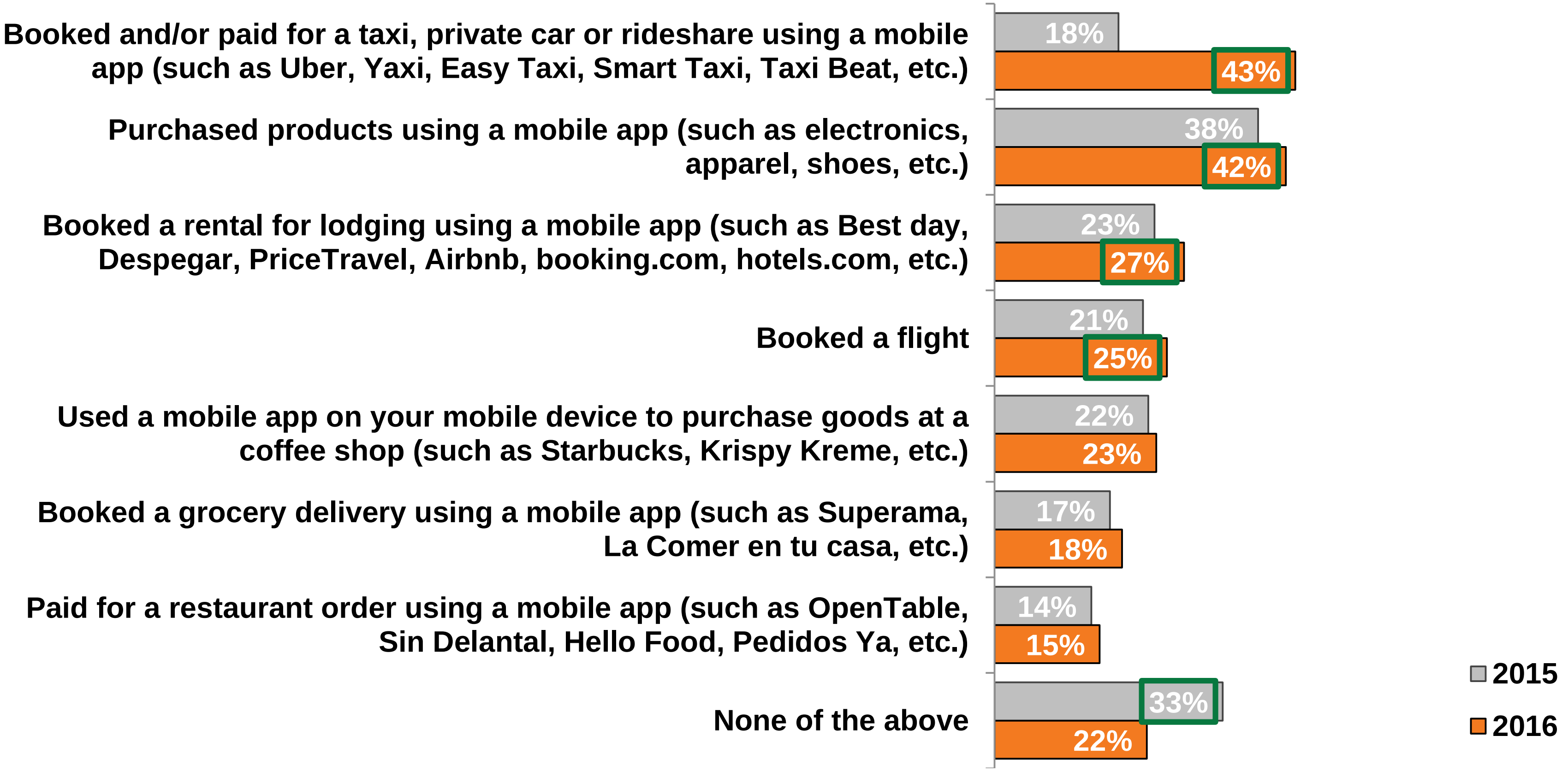
Transactions via mobile devices were up compared to the 2015 study, with almost four in five mobile devices users making at least one type of transaction.

Mobile Device Transactions Conducted



Q13d. Which of the following activities have you done using your mobile device?
Base: Mobile device users: 2016 (n=1,691), 2015 (n=1,103)
Green box indicates that the referenced year is significantly higher than the other year at 95% confidence level.

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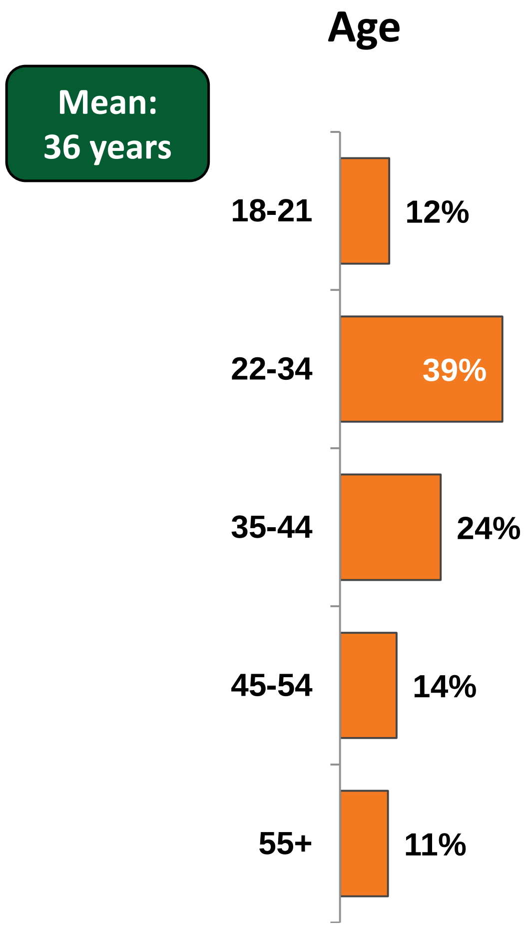
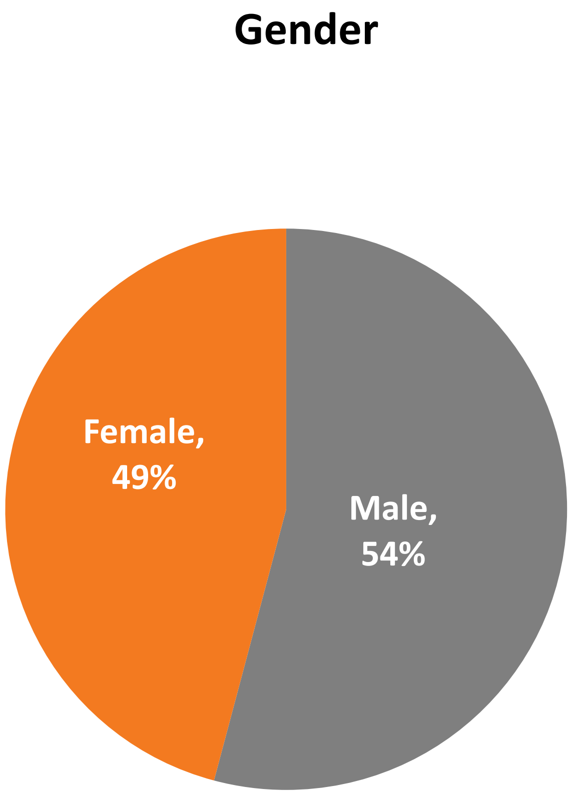
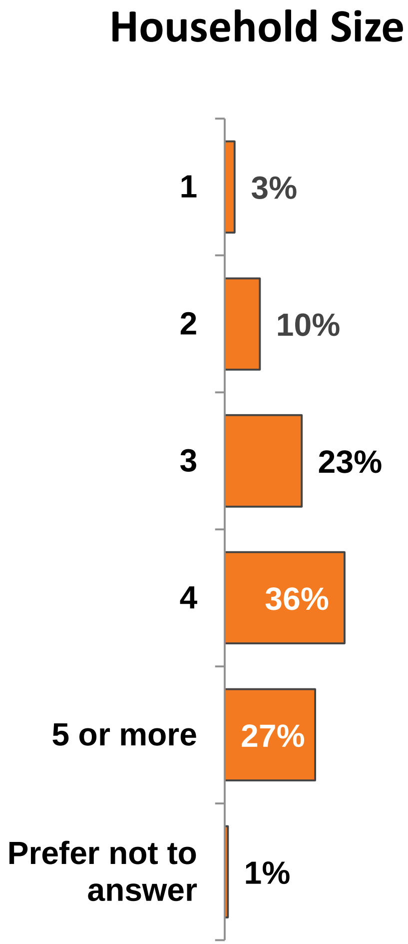
Online Buyer’s Demographic Profile

Buyer's Demographic Profile







AGE. What is your age?
GEND. What is your gender?
HHSIZE. How many people live in your home, including yourself?
Base: Online shoppers (n=1,829)

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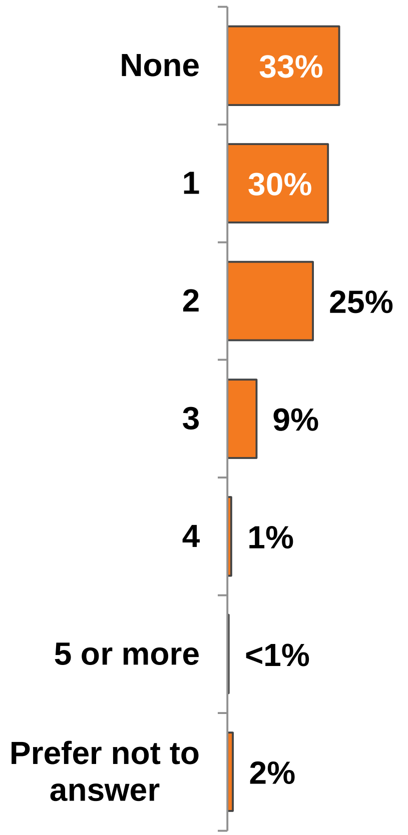
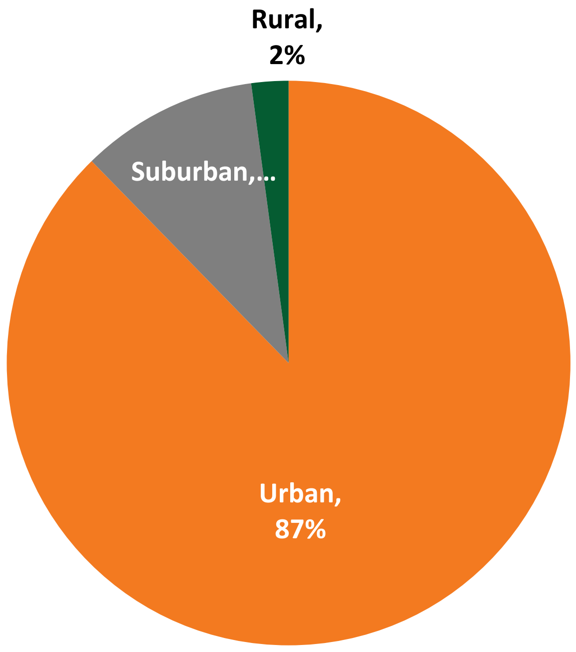
Demographic Profile (Continued)

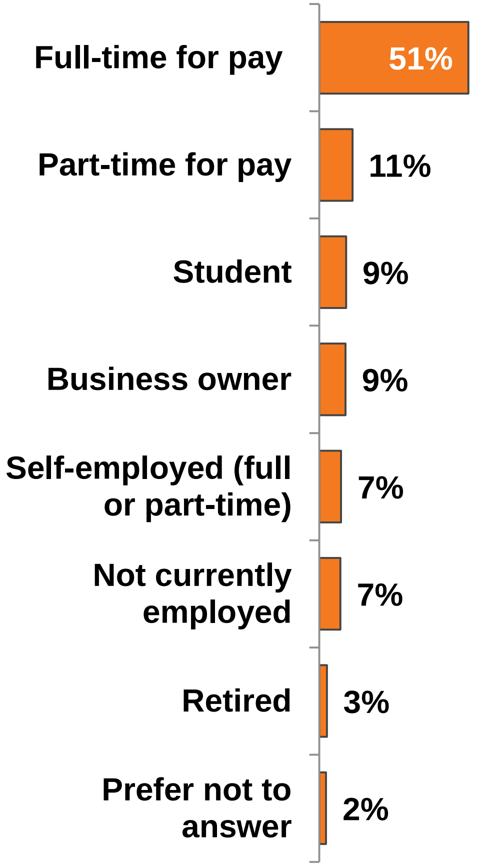
Children in Household



Location



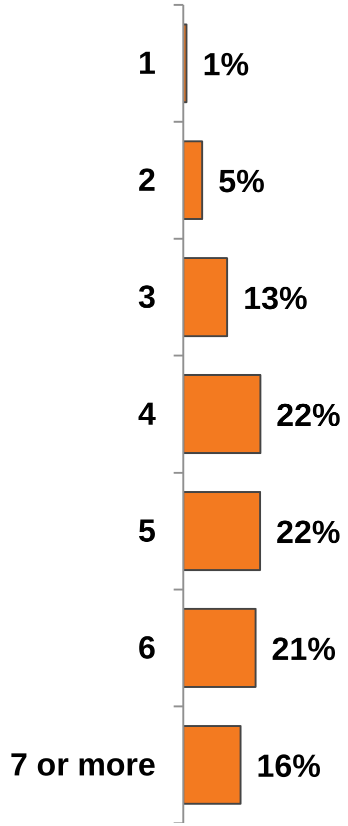
Employment Status



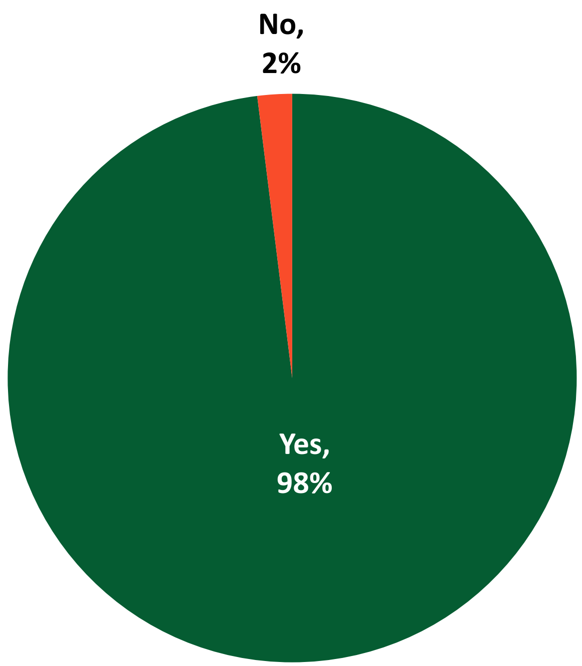
HHCHILD. How many children (anyone 17 years old or younger) live in your household?
QRES. Which of the following best describes where you live?
QEMP. Which statement below best describes your current employment status?
Base: Online shoppers (n=1,829)

Demographic Profile (Continued)

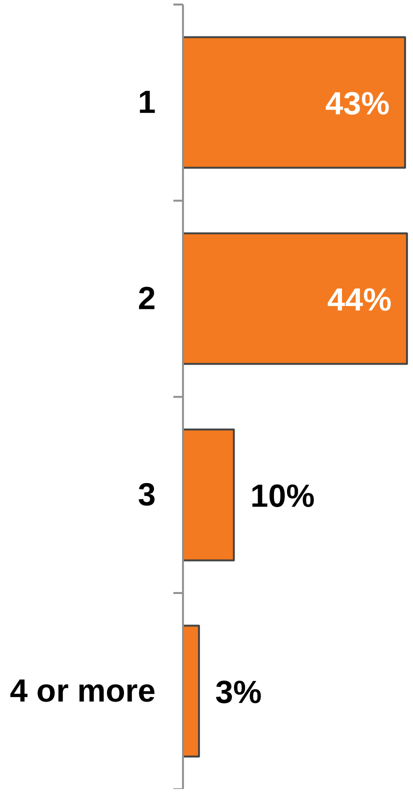
Number of Rooms in Home



Bathroom With Shower

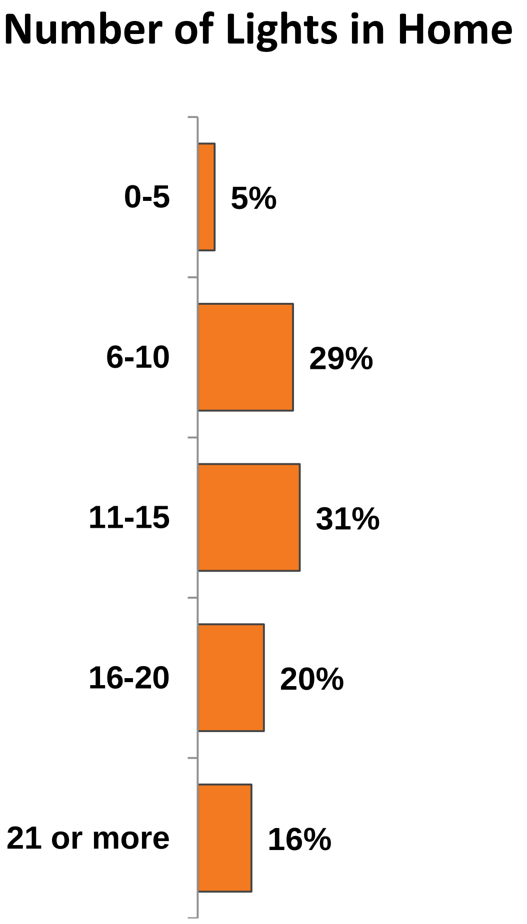


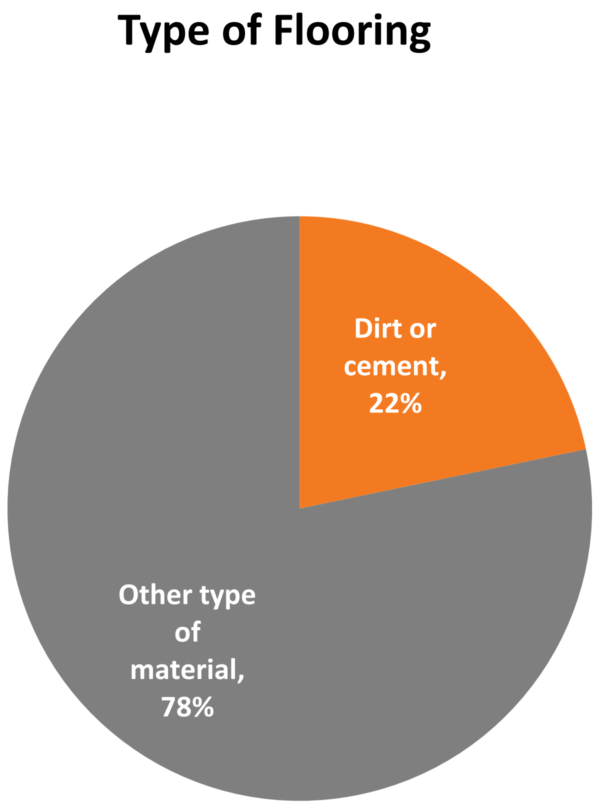
Number of Bathrooms

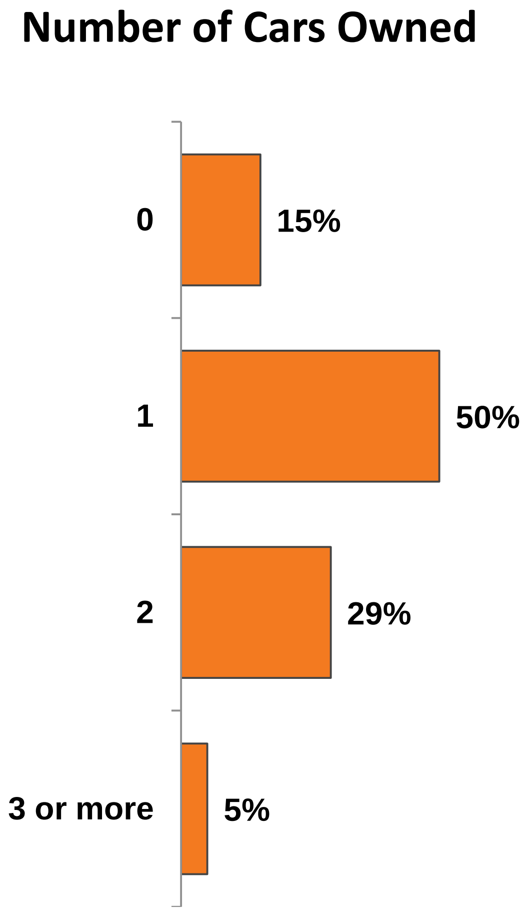


QSEL1. How many rooms are in your home?
QSEL3. Do you have a shower?
QSEL2. How many bathrooms do you have in your home?
Base: Online shoppers (n=1,829)

Demographic Profile (Continued)







QSEL4. How many lights do you have in your home?
QSEL5. ¿El piso de su hogar es predominantemente de tierra, o de cemento, o de algún otro tipo de acabado?
QSEL6. How many cars do you own?
Base: Online shoppers (n=1,829)

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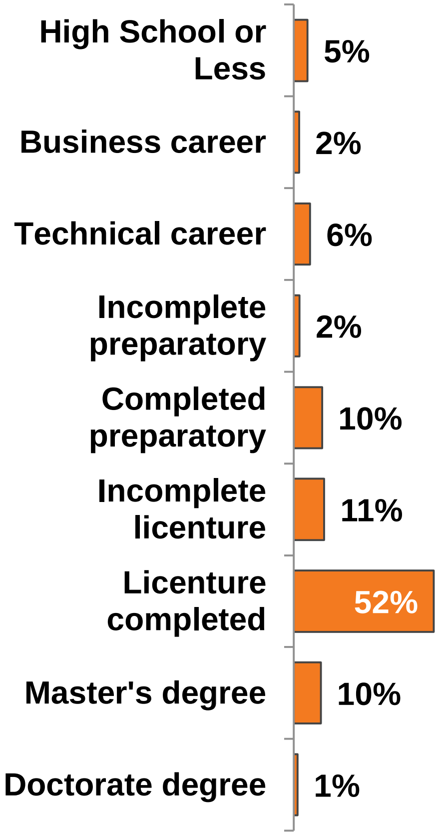
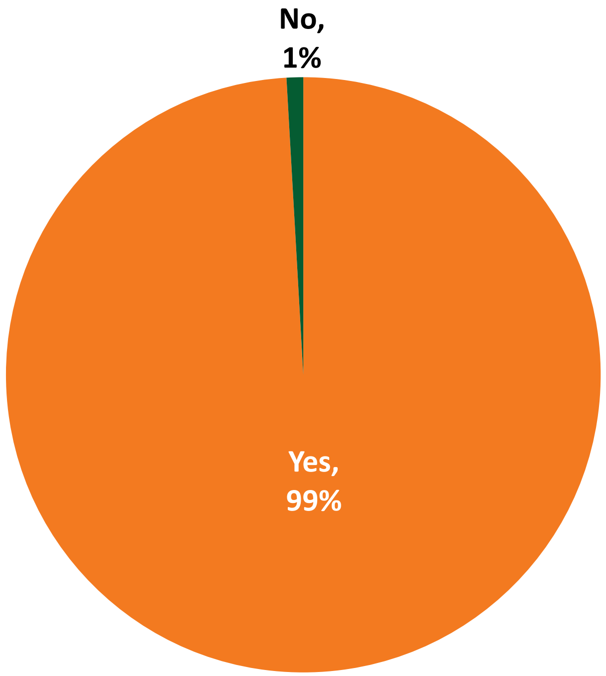
Demographic Profile (Continued)

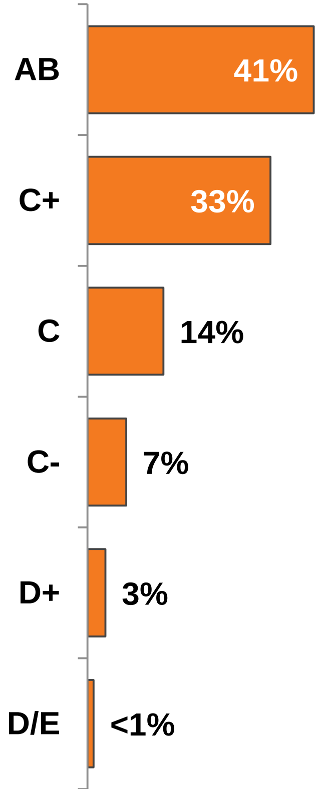
Education



Electric Stove

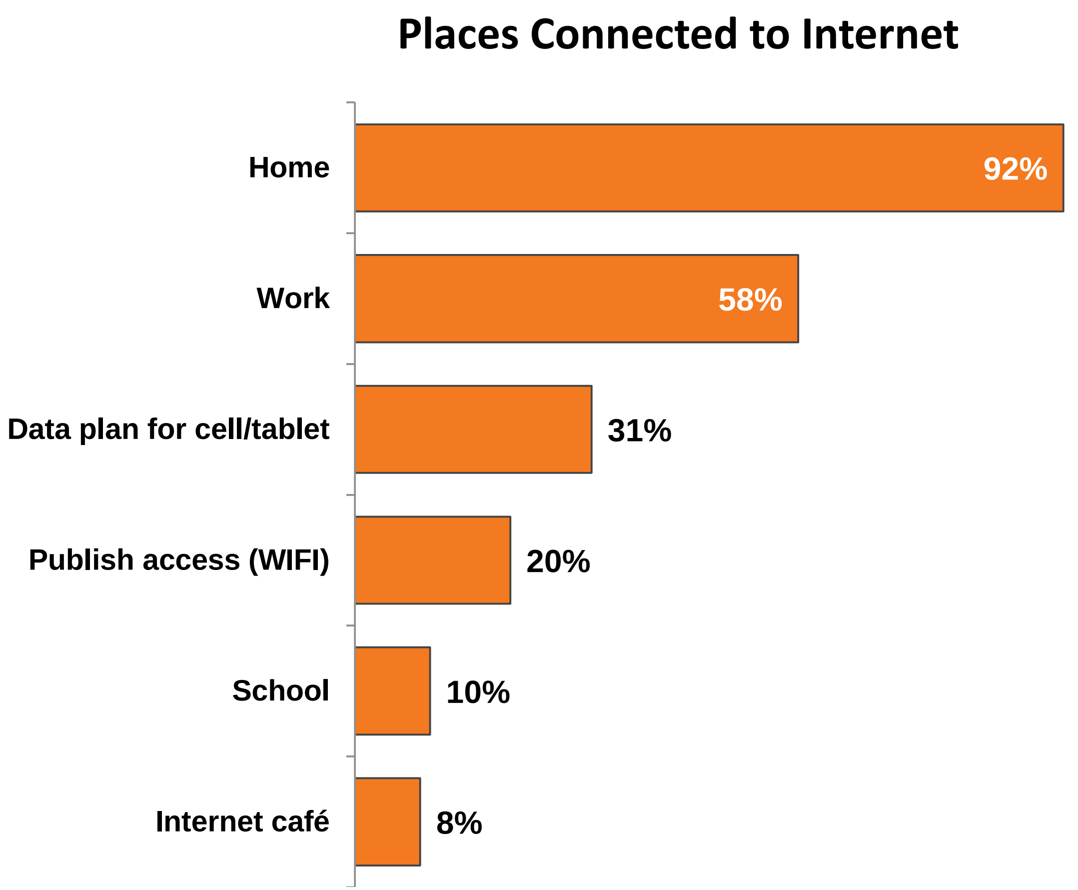


Social Class



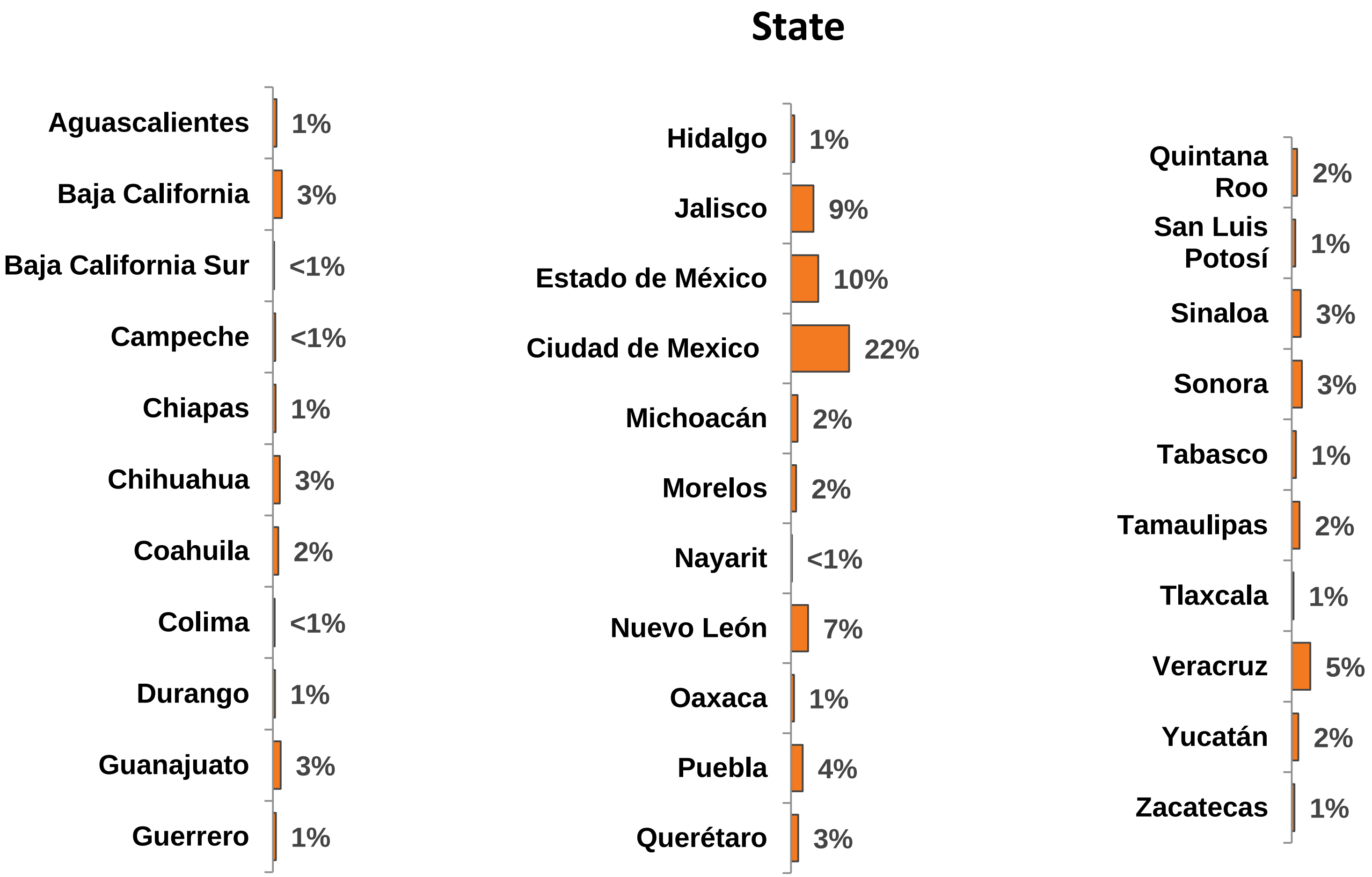
QSEL8. Thinking about the person who provides most of the income in this home, what was the last year of studies completed?
QSEL7. Do you have an electric stove in your home?
Social Class is determined by a combination of answers at Sel1-Sel8
Base: Online shoppers (n=1,829)

Demographic Profile (Continued)



QINT. Where do you connect to the internet?
Base: Online shoppers (n=1,829)

Demographic Profile (Continued)



QSTATE. Please indicate where you currently live.
Base: Online shoppers (n=1,829)

Executive Summary

- Seven in ten of online Mexicans were online purchasers based on reported purchase activity from May to July 2016.
  - Six in ten shoppers made non-domestic purchases during that period on 2016.
- Average quarterly spending across all devices and non-travel categories was 6535 pesos, approximately 2178 pesos spent online per month.
  - This was up directionally compared to the 2015 study.
  - Additionally, almost a third of shoppers made travel purchases during the three-month period, with an average spend of 8430 pesos in this category.
- The top three categories purchased online continued to be apparel & accessories, digital downloads, and event tickets.

Executive Summary (continued)

- Smartphone purchasing grew significantly by both incidence and average number of purchases compared to the 2015 study.
  - However, the incidence of making a purchase on a computer or on a tablet each declined significantly compared to the 2015 study, and the average number of purchases stayed flat.
  - Other mobile device transactions such as booking and paying for transportation, hotels, etc. increased significantly compared to the 2015 study.
- Mexicans like using mobile devices for their ease in accessing the Internet, as well as for the ability to use retailer apps, which can save time.
  - Two-thirds of mobile users said they shop within retailers' apps, and more than four in ten have made in-app purchases.

Executive Summary (continued)

- PayPal, debit cards, and credit cards were the most common methods of paying for online transactions in the past three months; however, buyers would like to see retailers offer a greater variety of secure options for online payments.
- Almost all online shoppers in Mexico were aware of digital payment tools which was driven mostly by PayPal.

Executive Summary (continued)

- Overall satisfaction with online shopping was high, on par with consumers' satisfaction with shopping in physical stores. Online purchasers were likely to continue buying online in the future, particularly using a PC.
  - About one in three were unlikely to use a mobile device for future purchases as a result of distrust for the site.
  - Similar to the 2015 study, shoppers expect their shopping to increase vs. decrease around all holidays except Halloween. The largest increases were expected around Christmas, El Buen Fin, Mother's day, and Valentine's Day.

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E-Commerce Study - Retailers

Summary of Results

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Objectives & Methodology

Research Objectives:

- Quantify the value and volume of e-commerce sales in Mexico
- Understand expected sales increases and decreases around holidays
- Determine payment types accepted
- Determine promotions used by retailers
- Understand website features

Study Methodology:

- Online merchants in Mexico were sent an email invitation by AMIPCI with a link to the survey.
- The survey had up to 20 questions and took an average of 10 minutes to complete.
- 50 respondents who work in e-commerce sales completed the survey.

Note on trending: The 2016 and 2015 results are shown throughout the report. However, these data are not tested for statistically significant changes between years since there may be unmeasured differences in the samples due to the sampling method used (convenience samples).

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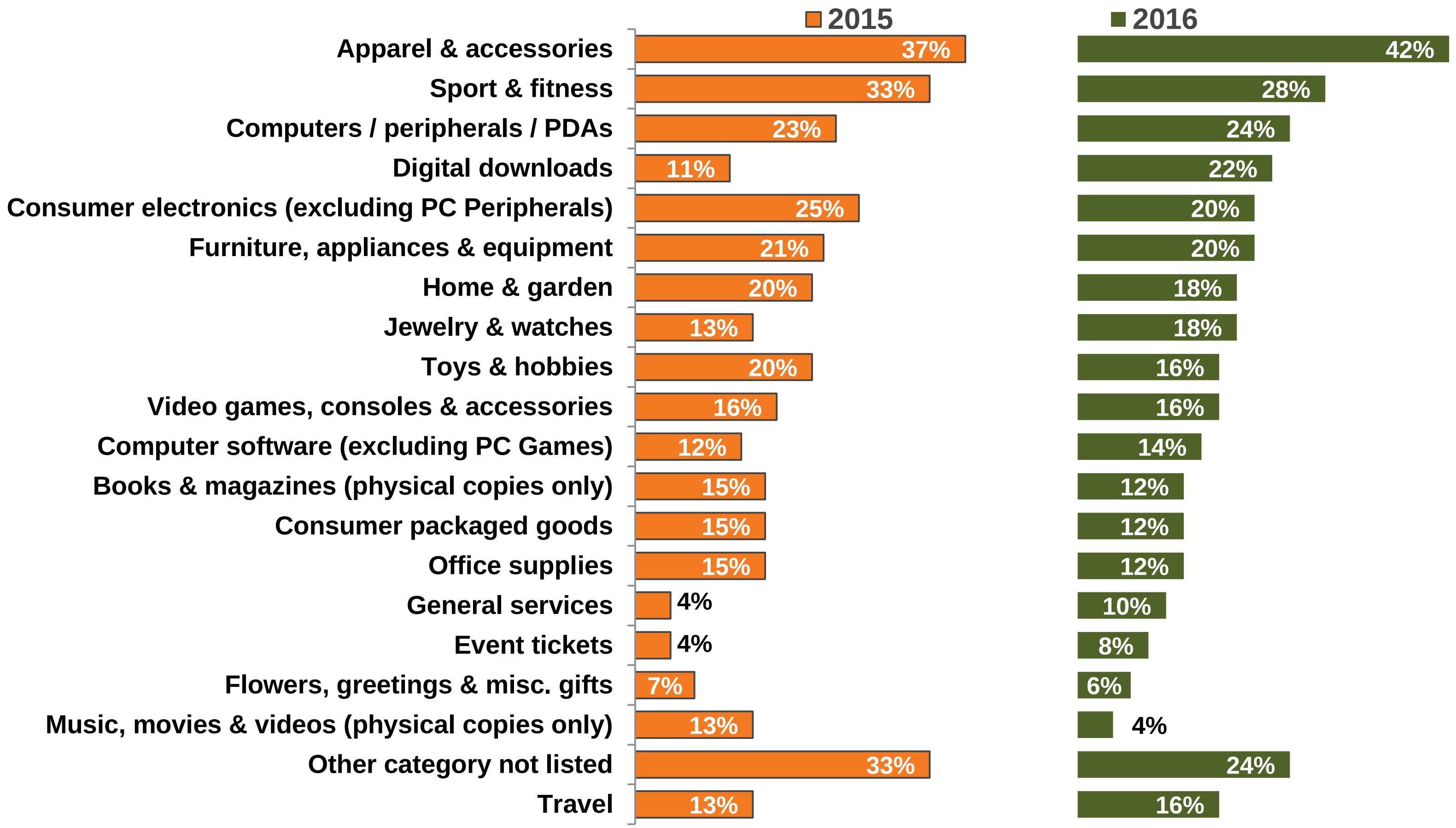
E-commerce Landscape

Apparel and sports & fitness continued to be the top two categories sold among these online retailers.

Categories of goods and services sold online

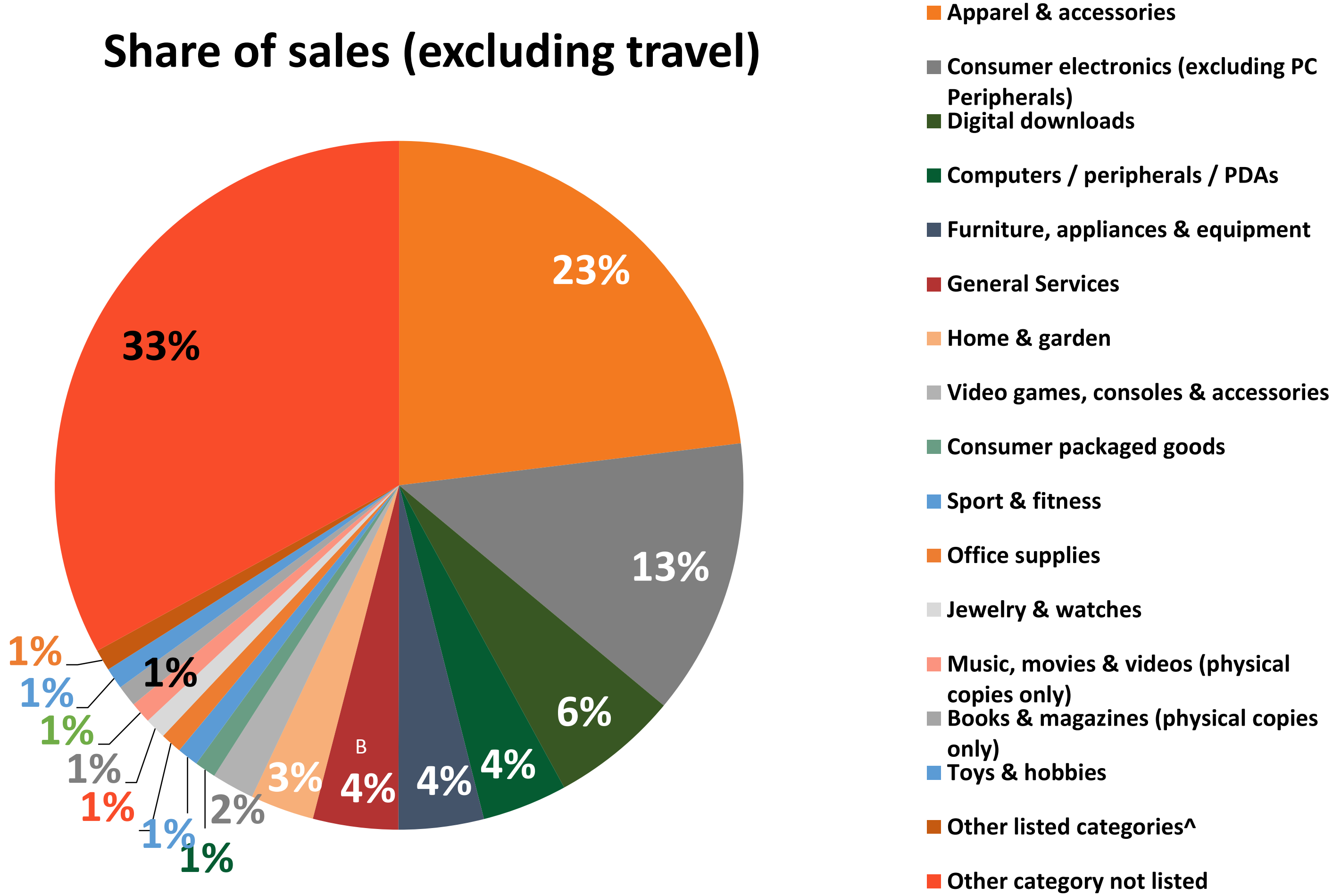


Q1. Which of the following categories of goods and services do you or your organization sell online?
Base: All retailers: 2015 (n=75), 2016 (n=50)

Apparel & accessories represented just under a quarter of retail sales among these retailers from May to July 2016.

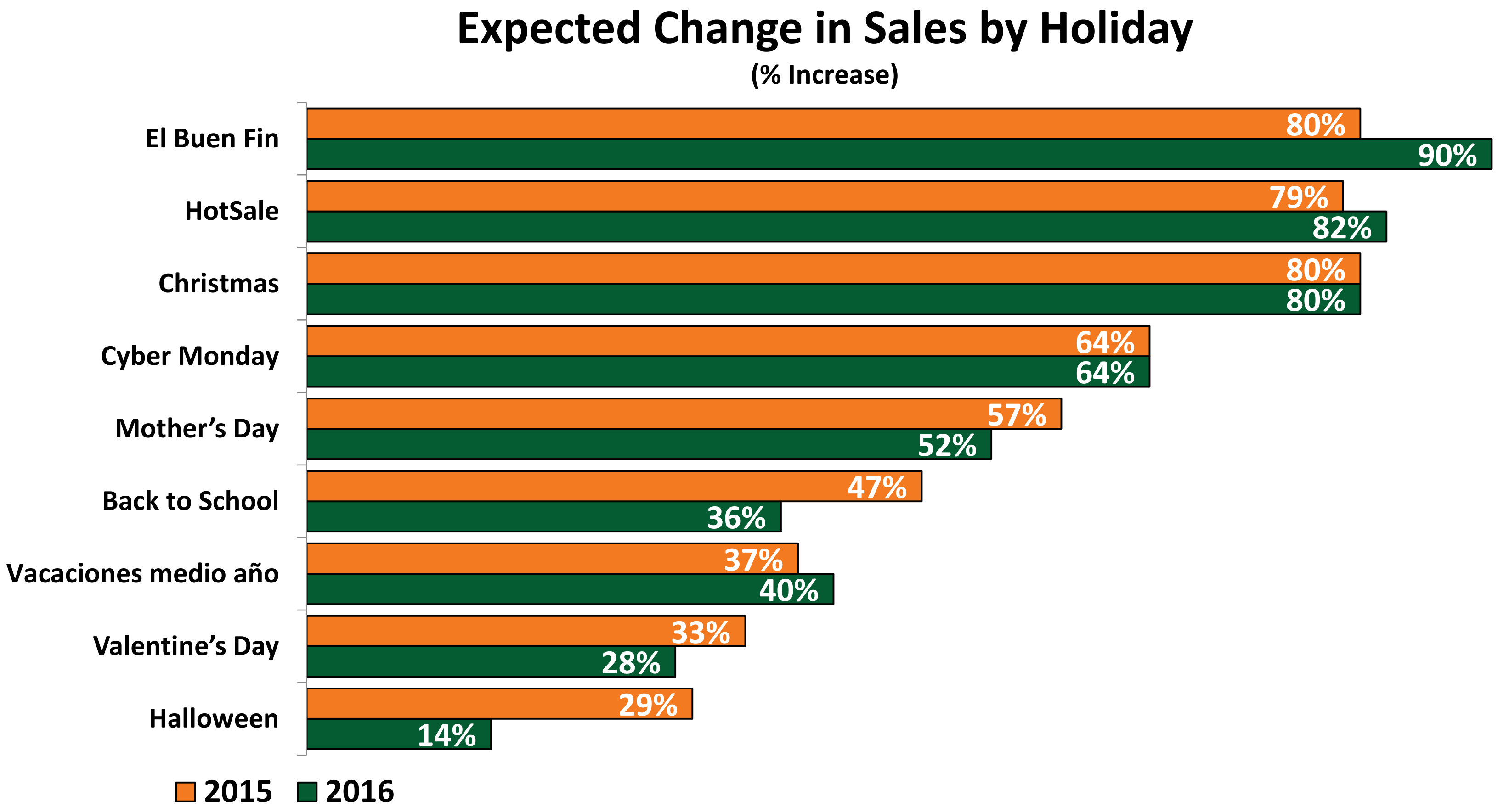
Average Sales Value (excluding travel): 83,356,967.8 pesos ($4,499 Million US)

If Travel were included, it would represent 30% of the sales dollars even though only 16% of retailers sell travel.



Q3. Please take a close look at the table below. Under each category, enter the amount of money in pesos you have sold online during May to July 2016, Please list the amount spent from domestic (in Mexico) vs. International (all other countries) in separate columns.
Base: All retailers: 2016 (n=50) | Note: Domestic and International sales are shown together.
^Includes the following categories: computer software (excluding PC games), event tickets, and flowers, greetings & misc. gifts.
Note: These data are not compared to 2015 data as the 2016 data are visibly different from 2015, likely due to the different types of retailers recruited in 2015 and 2016.

Retailers continued to expect sales to increase the most around El Buen Fin, HotSale and Christmas.



Q4. Comparing your typical sales volume with your sales volume around holidays, how did/do you expect your sales to change around each of these holiday periods in 2016?
Base: All retailers: 2015 (n=75), 2016 (n=50)

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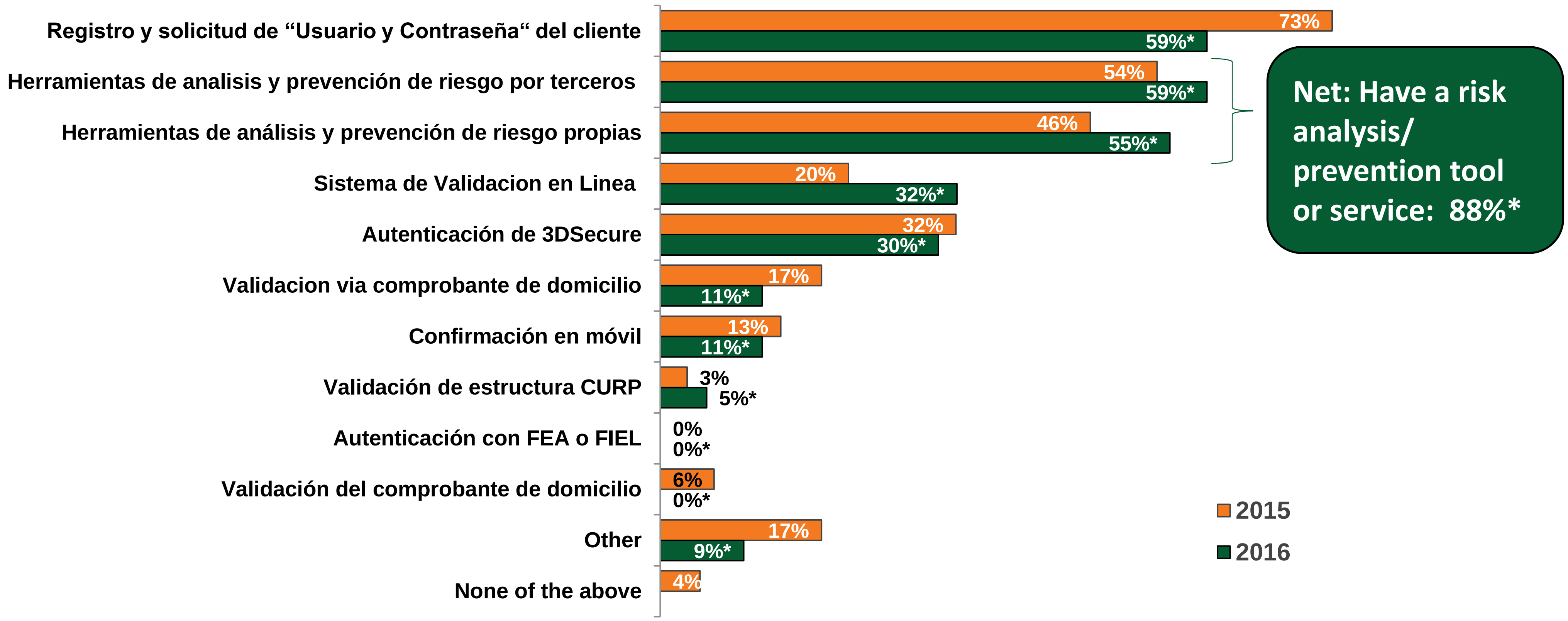
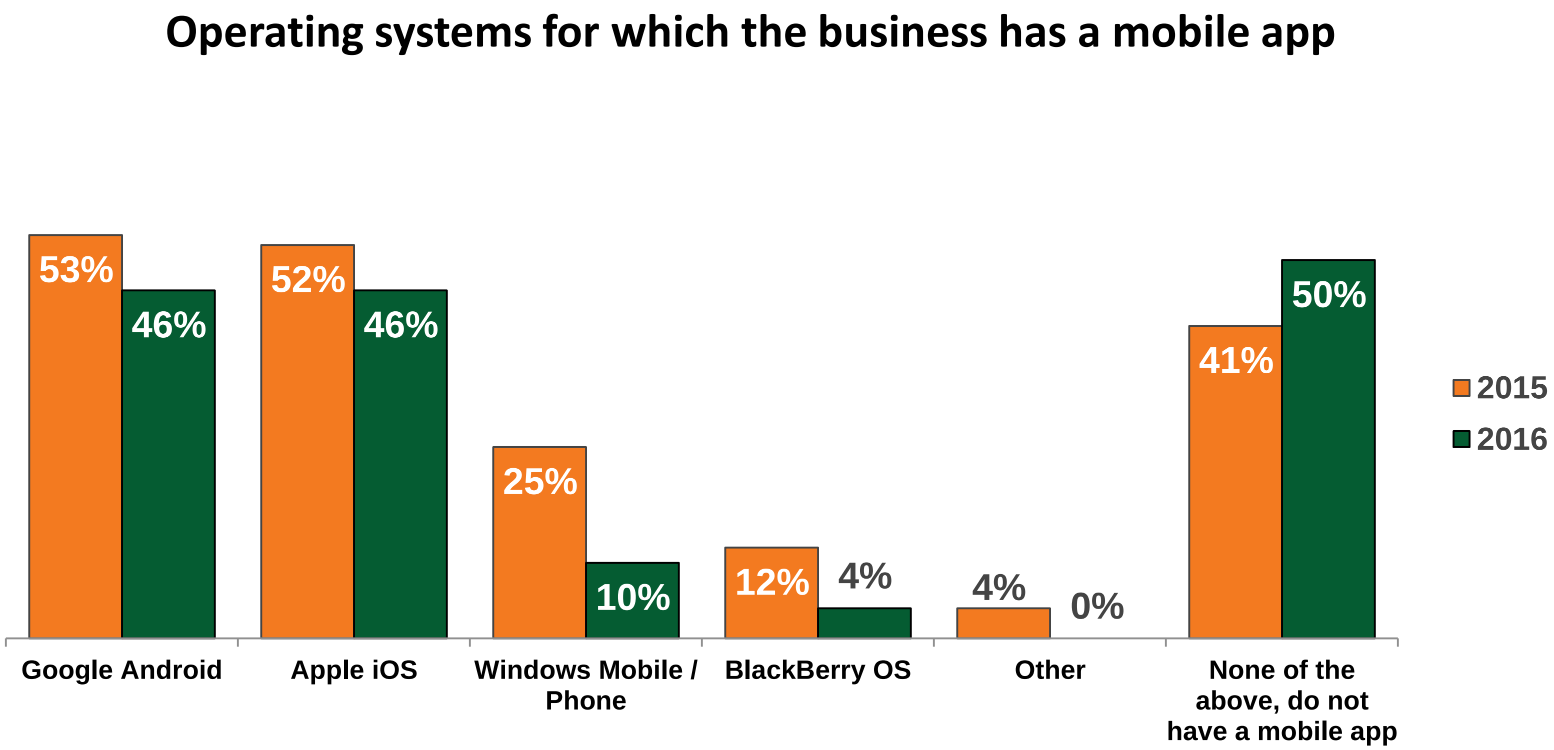
Customer login & password as a security feature and risk analysis/prevention tools or services continued to be the top features used for security.

Controls and security features on the website



Q8. Which of the following controls and/security features do you utilize on your website? | None of the above not shown.
Base: Retailers who own their own online storefront: 2015 (n=69), 2016 (n=44*)
* Indicates small sample size (n=30-49); use with caution.

Half of retailers reported having a mobile app, with most being supported by both Android and Apple iOS.



Q10. Does your business have a mobile app for any of the following operating systems?
Base: All retailers: 2015 (n=75), 2016 (n=50)

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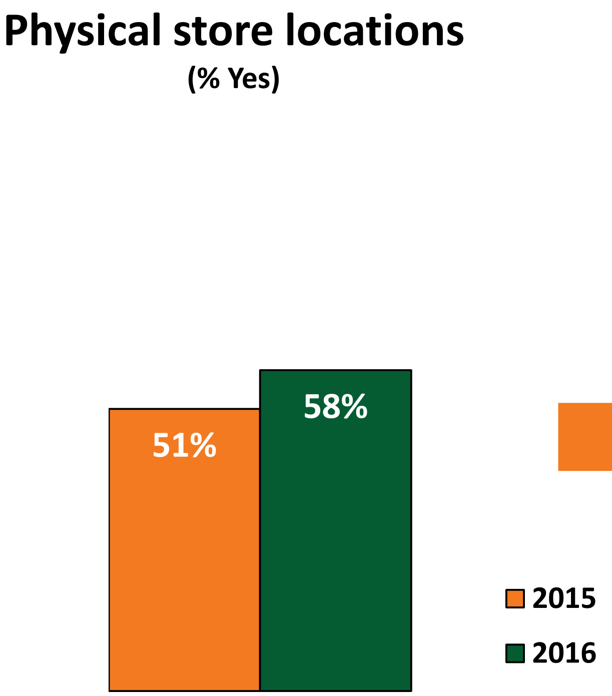
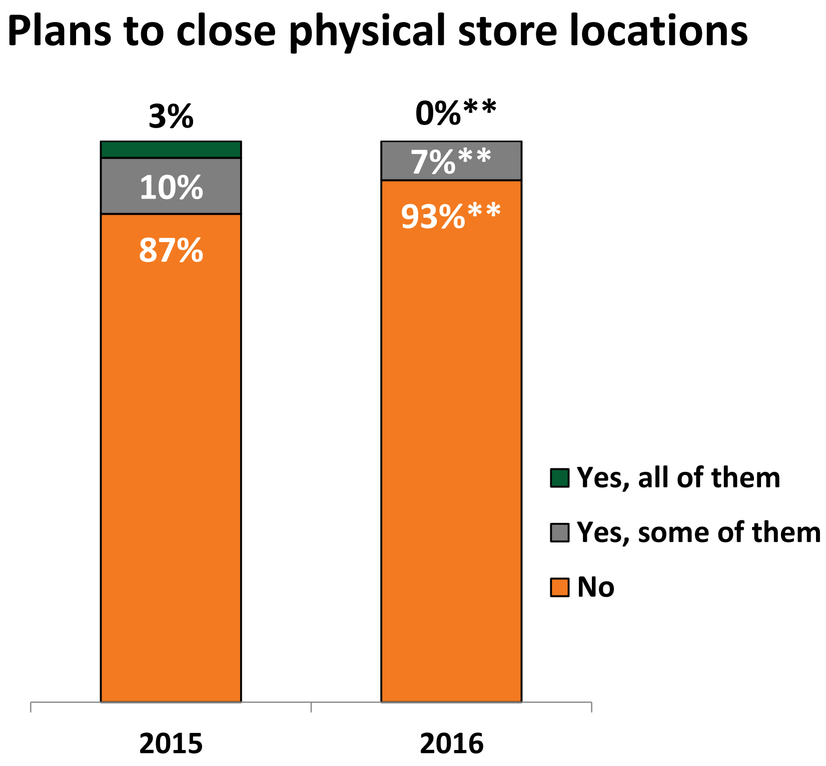
Role of the Physical Store

Almost six in ten retailers reported having physical stores, and most of them do not have plans to close any.





Q9A. Does your business have physical store locations? | Base: All retailers: 2015 (n=75), 2016 (n=50)
Q9C. Do you have any plans to close some or all of your physical store locations?
Base: Retailers who have physical store location: 2015 (n=38*), 2016 (n=29**)
* Indicates small sample size (n=30-49); use with caution. ** Indicates very small sample size (n=20-29); use with extreme caution.

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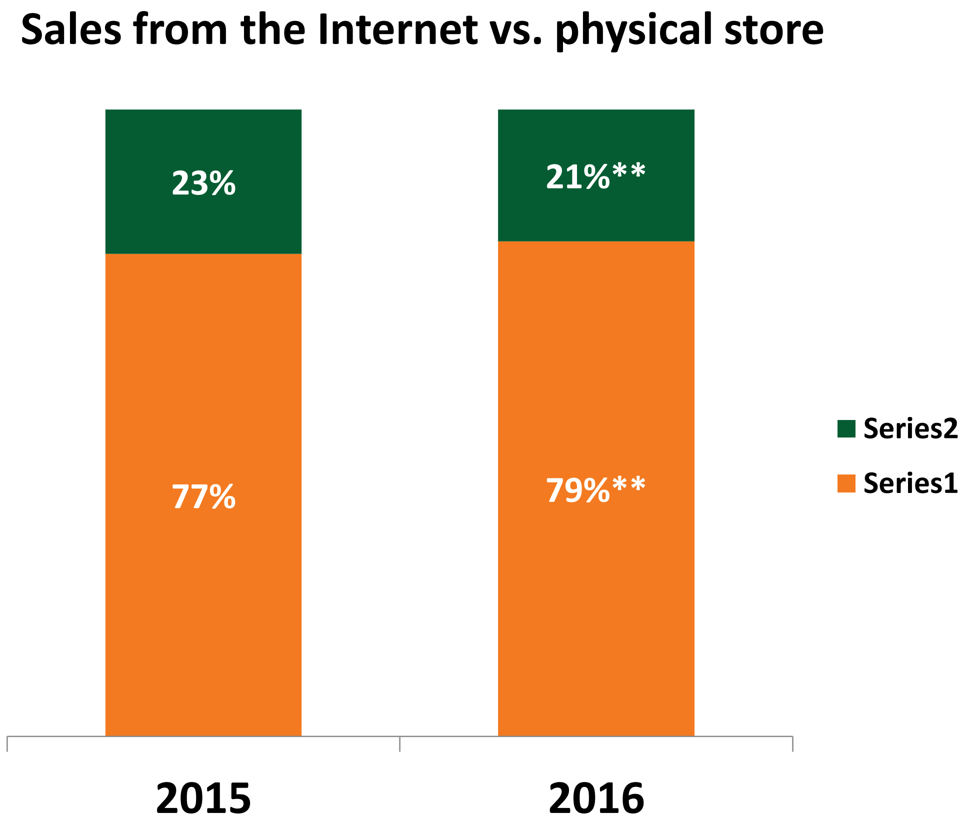
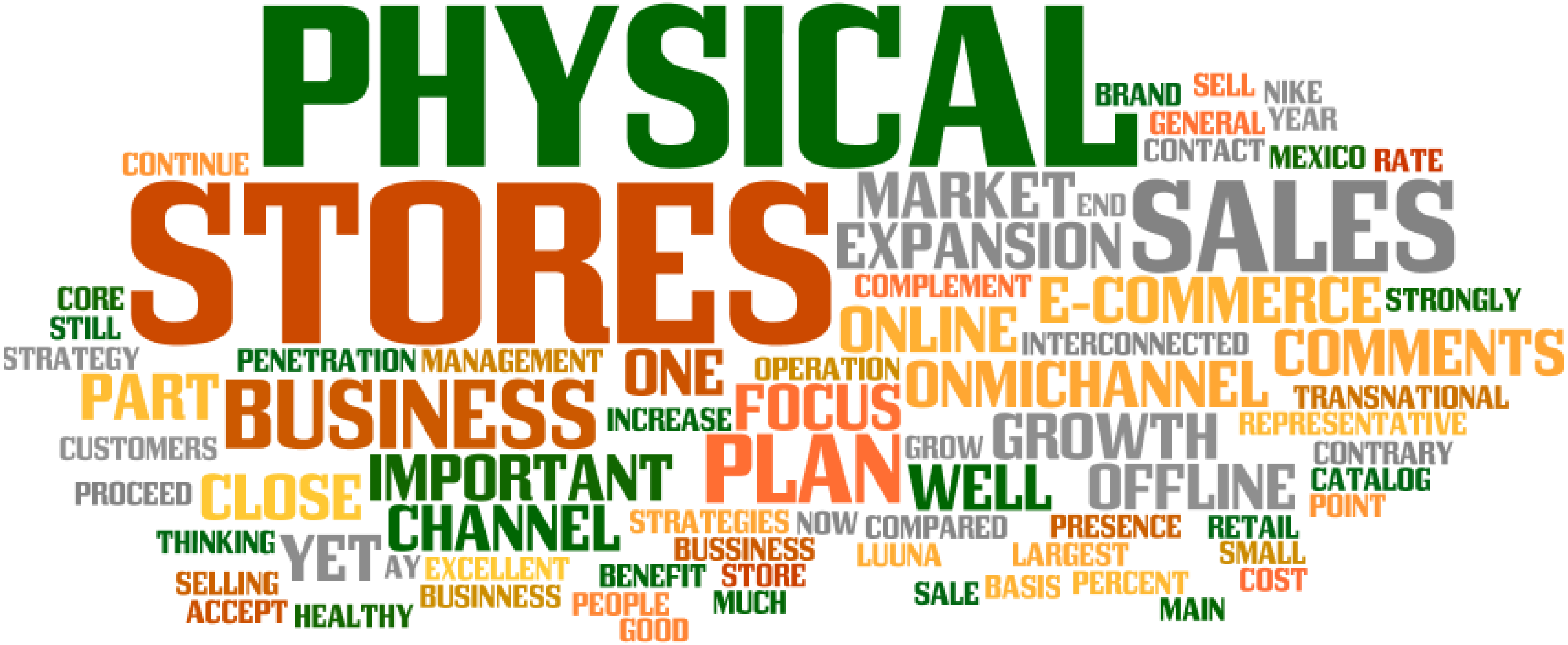
Among these online retailers who also have physical stores, sales from their physical stores represented over three-quarters of their sales.



Q9B. What percentage of your total sales come from the Internet vs. physical stores?
Base: Retailers who have both online and physical store locations: 2015 (n=38*), 2016 (n=29**)
* Indicates small sample size (n=30-49); use with caution. ** Indicates very small sample size (n=20-29); use with extreme caution.

Among retailers who have both physical and online stores, the physical store continued to be perceived as the foundation of their business, and the online store complements and expands their offerings.

Reason for planning not to close physical stores**



Q9D. Please explain why you are <<not>> planning to close physical stores.
Base: Retailers who have physical store location and plan not to close it: 2016: (n=26**)
** Indicates very small sample size (n=20-29); use with extreme caution.
Note: Sample size for respondents who are planning to close stores is too small to report.

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Executive Summary

Online Sales:

- Similar to the 2015 study, the majority of online sales were from within Mexico, and two in three online sales were via a PC. Retailers reported a small percentage of chargebacks.
- Apparel and sports & fitness continued to be the two largest categories sold among these online retailers.
- When it comes to sales value, excluding travel, the top three categories were other categories not listed in the survey, apparel & accessories, and consumer electronics.
- Retailers expected shopping to increase around El Buen Fin, Christmas and HotSale.

Executive Summary

Online Stores:

- Most retailers reported selling their products/services through a website or app that they/their companies own. These sites accept most major payment types, including credit and debit cards, and PayPal. Almost all accept Visa and MasterCard.
- Over two in five retailers reported having a mobile app.
- Most retailers engaged in a variety of online marketing efforts, including offering sales/promotions.   Interest-free purchases and discounts were most common.

Role of the Physical Store:

- Half of the retailers reported having physical stores.
- Among those with physical stores, sales from the physical stores make up four-fifths of their sales.
- The vast majority were not planning to close stores. These retailers stated that physical stores are the backbone of their businesses and that their online stores expand their offerings in pursuit of an omni-channel shopping experience.

comScore's Analytics Team:

Wendy Segal, Research Director, wsegal@comscore.com
Sarah Barker, Research Leader, sbarker@comscore.com
Kim Bui, Survey Analyst , kbui@comscore.com
Ivan Marchant, Vicepresident Mexico, imarchant@comscore.com

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