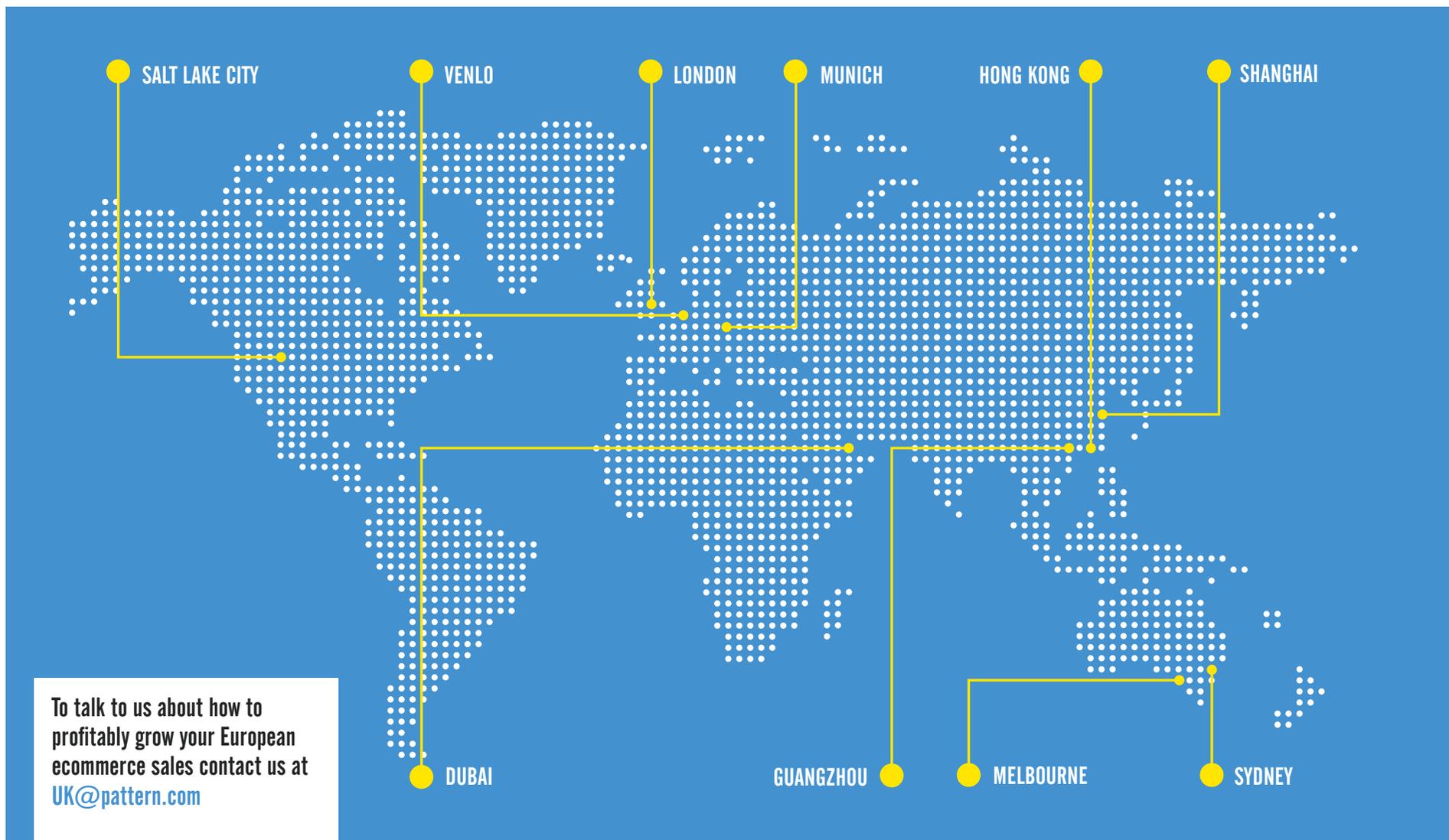


Our global footprint



To talk to us about how to profitably grow your European ecommerce sales contact us at UK@pattern.com

About this report

Much of the thought leadership that exists about European ecommerce is written with retailers in mind. In this report we've taken a slightly different angle, focusing on what the changing ecommerce landscape means for consumer brands.

Europe's retail industry has suffered significantly from the measures to contain the COVID-19 pandemic during 2020. However, it has been a catalyst for online sales. Europe's shoppers in more mature markets have bought products online much more than previously, and in the less mature markets it has encouraged shoppers to buy online for the first time.

In general, marketplaces, online retailers and omnichannel retailers who have been able to pivot to focus on quickly scaling their online operations have been the winners. Some brands have also been able to build their direct-to-consumer web presence.

The work that's been required to keep product flowing to customers has been immense. As a business that sells on Amazon in Europe and provides ecommerce consulting to many consumer brands, we've felt that pain and the satisfaction of seeing our clients' online sales and our own increase.

In the following pages we've tried to do the impossible and condense into 30 pages everything that's important to brands selling online in Europe right now. There's snapshots of the most interesting countries and online marketplaces, as well as much discussion of what consumer brands will need to do in the coming months to optimise their online sales in Europe.

As we head into the peak trading period, we anticipate that the online shopping trends seen will further convince consumer brands that there has been a step-change in the importance of their online sales channels.

NICOLA HOLLOW, GENERAL MANAGER - EUROPE, PATTERN

Contents

4

EXECUTIVE SUMMARY

6

KEY COUNTRIES

Profiling the UK, Germany, France, Italy, Spain, the Netherlands, Sweden & Poland.

14

MARKETPLACES

The rise of marketplaces in Europe, including data on Amazon, eBay, Zalando, AliExpress, Allegro, Cdiscount, Otto and Real.de.

23

THE ROLE OF DIRECT TO CONSUMER SITES

24

EUROPEAN CUSTOMER EXPECTATIONS

25

EUROPEAN ECOMMERCE TEAM STRUCTURE

26

RETAIL CHANNEL OPTIMISATION

27

THE CHALLENGES OF CROSS-BORDER

30

ABOUT PATTERN

Our marketplace sales partner and consulting services proposition.

Executive Summary

2020's pandemic has been a catalyst for online sales growth in much of Europe. This provides opportunities to launch and grow brands online, though understanding the nuances of the continent and its 44 countries has never been more crucial.

Europe's 740 million population combined with high internet and online shopping penetration rates has delivered an online shopping audience of a size that only China can compete with.

During 2020, severe restrictions on physical stores due to the COVID-19 pandemic - with non-essential stores closed in many European markets for several months - has hastened the migration of the continent's shoppers to buying online.

Beneath this topline trend, a number of interesting factors are at play. Marketplaces are growing in popularity, while many consumer brands are simultaneously placing more focus on their direct-to-consumer websites. Retailers are being squeezed in the middle of this, and the pandemic has shown how crucial their ecommerce operations are to reach their customers.

The market is in flux, but the one point on which most can

agree is that higher ecommerce penetration rates are here to stay. The graphic on this page shows how Amazon's monthly visits are higher now in each of its six main European markets than at the start of the pandemic.

In Western and Northern Europe - where e-shopping penetration rates are highest - consumers are buying more of their shopping online. In Eastern and Southern Europe, particularly Spain and Italy, the pandemic has prompted more shoppers to try online shopping; behaviour which we expect to stick.

It won't be until early 2021, when we can compare online shopping revenue and penetration for 2020 with the previous year that we will be able to accurately measure this change. But there is already snapshot data to provide hints. For example, in the UK the percentage of grocery shopping bought online rose from 7% of the total in February 2020, to 13.5% in July 2020.

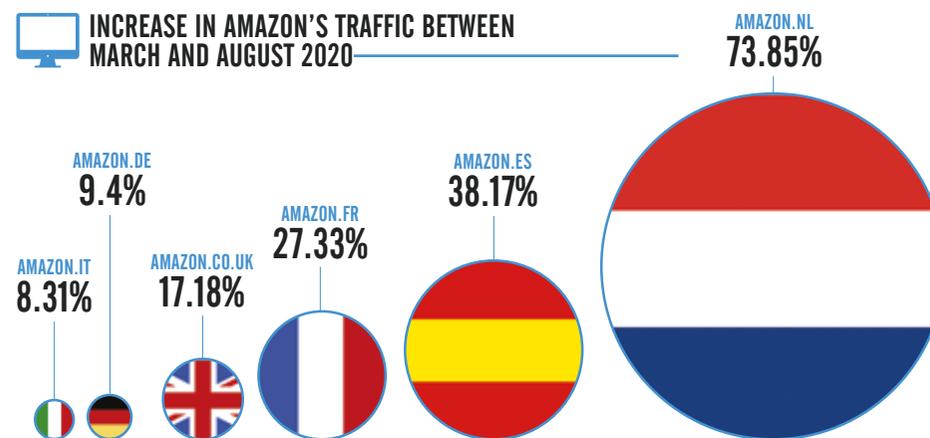
The result is that brands must reassess their European channels to market, and their retail partners, to ensure their online channel strategies matches these changes in customer behaviour. The increased importance of ecommerce also brings into question how brands' sales teams choose to structure themselves.

ECOMMERCE CATALYST

The figures for how much Europe's main economies are expected to shrink by this year look scary, but after a much more substantial contraction in the first

“The market is in flux, but the one point on which most can agree is that higher ecommerce penetration rates are here to stay”

Sources:
SimilarWeb



half of the year, the second half is all about rebound, particularly with the peak trading period for retail.

For brands who want to enter Europe, or grow their sales, online routes to market seem the obvious choice. More are choosing direct-to-consumer or marketplaces as routes to expansion, rather than third-party online or omnichannel retailers.

Marketplaces have substantial traffic, which clearly appeals to brands. There are nearly 300 million unique users visiting Amazon's six European sites each month. Local players are also doing well. France's Cdiscount has an average of 23.3 million unique visitors a month, more than third of the country's total population.

Pernod Ricard Global Ecommerce Leader Stuart Heffernan says: "Ecommerce growth has been accelerating due to the offering of convenience, speed and access to a wider portfolio of products. Marketplaces, whether they are on established platforms such as Amazon or on-demand aggregators such as Deliveroo, offer an unparalleled opportunity

for generalist or specialist vendors to make their ranges visible to a much wider set of consumers than localised footfall traffic."

"This has been enabled by improvements in 'last mile' delivery and the scale of consumers using ecommerce platforms –driven especially by recent necessity," he adds.

MARKETPLACES VS D2C

Assortment and pricing are complemented by reliability and transparency for shoppers buying from marketplaces, says Christos Kalogerakis, CEO of Greece's largest omnichannel retailer Public (PMM). He says it's no surprise that consumers in countries such as his are choosing to buy cross-border from marketplaces such as Amazon, because reliability and assortment cannot be taken for granted in less developed ecommerce markets.

However, while marketplaces have become much more important within Europe's ecommerce landscape, there is still very much a belief in the value of both omnichannel retailers and brands' own direct-to-consumer websites.

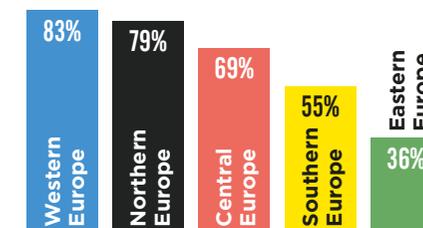
Lego Director for Ecommerce Strategy & Growth Kasper Thams says that there are two trends which mean Europe won't reach the same high rate of online sales through marketplaces as occurs in the USA and China; the demands of European consumers and the difference in structure of retail in Europe.

"European consumers are very individual and demanding when it comes to the proposition. They request "lifestyle" and broad offerings – not just simple products. Another example is the push for personalisation & specialisation. This creates room for dedicated players and brands – and makes it hard for a one-size-fits all approach which Amazon is still largely leveraging."

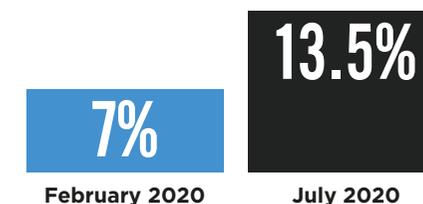
He adds: "Europe has a much more fragmented offline retail landscape, and many of the strong offline players are moving online."

So for the majority of brands, online success in Europe requires a balancing act, with multiple online channels to service customers who have increased choice about where they spend their money.

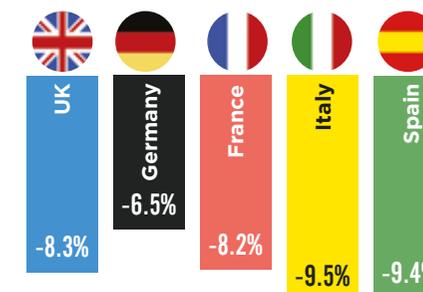
PERCENTAGE OF EUROPEANS WHO SHOP ONLINE



PERCENTAGE OF UK GROCERY SHOPPING THAT'S ONLINE



PREDICTED 2020 GDP GROWTH BY MARKET



Sources:

Eurostat, Retail Week, European Commission

United Kingdom

Since lockdown measures were imposed in the UK in March 2020, there has been a huge shift in traffic and spend towards online channels.

Despite the reopening of non-essential physical stores in early July, continued social distancing requirements mean that online sales are still substantially higher than last year. UK online sales in August were up 43.5% on the same month in 2019.

In the UK, although marketplaces don't have a majority share of online retail sales, the convenience, delivery and price propositions of Amazon, eBay and others has proved hugely popular with consumers during lockdown.

In response to store closures and slowed deliveries, consumer brands and retailers have made adjustments to their delivery and returns procedures in order to maintain high levels of customer satisfaction. Omnichannel retailers saw their online sales rise by more than the average in August - up by 70.5% year on year - partly as many had

launched COVID-secure click-and-collect services to overcome the problem of slow delivery times.

One such omnichannel retailer, Argos, saw total sales increase by 10.7% in the 16 weeks until the end of June, despite many of its stores being closed, helped by a 78% rise in home deliveries. It became an online-only retailer, fulfilling orders via delivery and with its click-and-collect presence within food retailer Sainsbury's stores.

Since the onset of COVID-19, pessimism about economic recovery has been high amongst UK consumers. As the uncertainty around the pandemic remains, many expect financial and political impacts such as unemployment to have a longer lasting effect on their spending. Whilst economic activity is expected to recover as lockdown measures are lifted, the speed and pattern of recovery will likely vary significantly by category.

POPULATION SIZE

68M



TOP THREE SHOPPING SITES BY TRAFFIC

amazon.co.uk

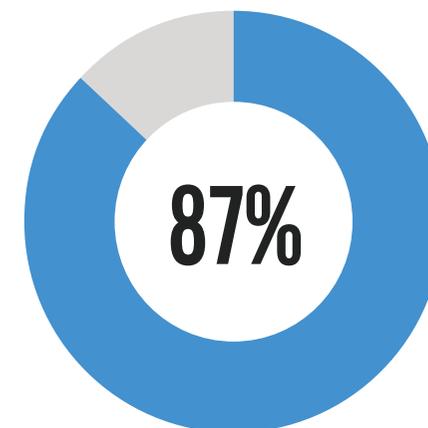
ebay

Argos

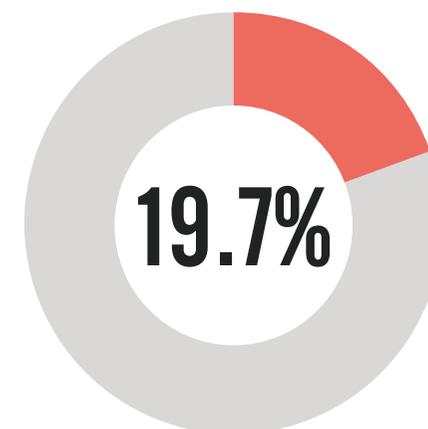
Sources:

Sainsbury's Argos, IMRG, United Nations, Eurostat, Centre for Retail Research & SimilarWeb

PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



Germany

Germany has Europe's largest online shopping audience, presenting a significant sales opportunity, particularly as its economy has suffered less than others this year. The coronavirus outbreak forced the closure of stores selling non-essential goods in March and gradual opening of stores began in May. German retail sales are predicted to fall by 8.2% this year, but this will be driven by falling offline sales.

Retail ecommerce sales in the country are estimated to grow by 16.2% in 2020, largely down to the rise in online shopping during the consumer lockdown in March and April. Inner-city shopping destinations have lost their usual appeal due to social distancing rules, contributing to the online sales of fast-moving consumer goods. Delivery convenience and often lower prices offered online have supported this situation, with German consumers far more likely to buy from a greater variety of online retailers.

The payment options available to consumers are a unique aspect of German ecommerce, with a large number choosing to pay on delivery or via invoice. Many prefer to receive and examine their goods without the need to pay upfront, meaning online merchants are generally prepared for higher return rates by offering a lenient returns policy. Likewise, flexible fulfilment options such as click-and-collect grew in popularity over the lockdown period.

During lockdown, online marketplaces Otto, Real.de and Amazon.de reported record sales of popular items such as beard trimmers, dumbbells, home office equipment and toys. In fact, all of the top three shopping sites in Germany are marketplaces, and marketplaces accounted for at least 40% of German online sales even before the pandemic.

As one of Europe's largest B2C ecommerce markets, the pandemic has accelerated the digitalisation of retail in Germany at every level.

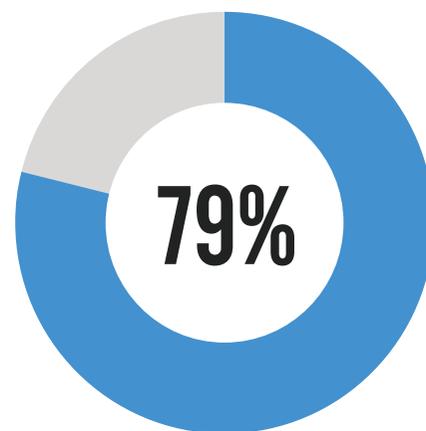
POPULATION SIZE

83.8M

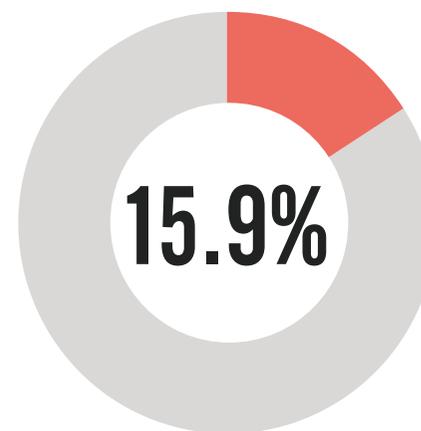


 pattern

PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC





Sources:

eMarketer, Practical Ecommerce, United Nations, Eurostat, Centre for Retail Research & SimilarWeb

France

France is another mature ecommerce market where the majority of the population (70%) buy some goods online. It's estimated that retail ecommerce sales in France will rise by 17.1% by the end of the year, with the increase driven by the nation's strict lockdown restrictions in comparison to other European markets.

France is facing a huge recession due to the severe economic effects of the COVID-19 pandemic. Concerns around slowing demand and the availability of raw materials have affected the country's overall production capacity. Similarly, a rise in unemployment and economic uncertainty are expected to restrain economic growth in France.

Rivalry is high between global and local players in the French ecommerce market, and the increased opportunity from the closure of non-essential retail stores during lockdown heightened the competition. Amazon, eBay and French marketplace Cdiscount are the top three shopping sites by

traffic, all offering convenience, attractive prices and delivery propositions to tempt customers.

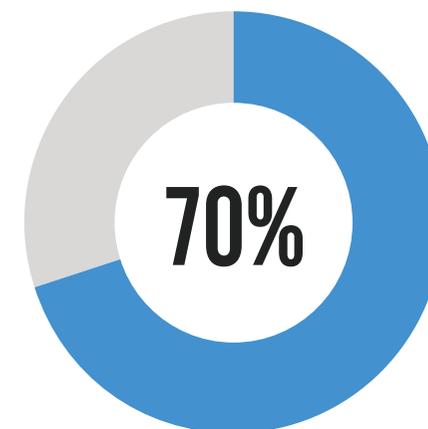
During the height of lockdown, Amazon's six French distribution centres were shut down for a month over disputes with labour unions about the health and safety of warehouse workers. The result of a court case led to Amazon being limited to selling only "essential" goods in the country, providing competitors with the opportunity to seize on its loss of market share. However, the traffic to Amazon.fr has not seen a long term impact, and site visits rose by 27% between March and August.

Much like other countries across Europe, French consumers who previously didn't use the internet for daily purchases will now have developed new shopping habits that are expected to stick in the longer term.

POPULATION SIZE



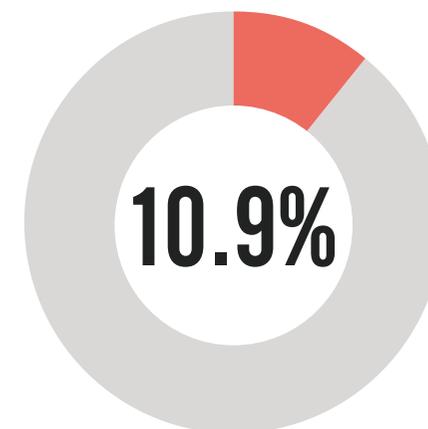
PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC



PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



Sources:
eMarketer, United Nations, Eurostat, Centre for Retail Research & SimilarWeb

Italy

Italy has had one of the lowest rates of ecommerce penetration in Europe, with only 3.7% of retail sales made online pre-pandemic. The low rate of ecommerce in Italy is mostly down to sociodemographic factors, such as a lower broadband penetration and a large ageing population who are less likely to shop online. However, this is now changing.

The country was hit particularly hard by COVID-19 and was one of the first to impose a full lockdown. Restrictions limited consumers from buying

in physical shops other than supermarkets and pharmacies, driving many to buy online for the first time.

Consumer behaviour was widely affected by containment measures, leading to panic buying and a shift in demand to ecommerce. Italy saw a peak in online retail sales in the first weeks of March - an increase of 90% compared to the same period of the previous year.

In April and May we were contacted by several Italian brands keen to sell their products online for the first time to replace some of the trade they were losing from offline channels. Amazon was their channel of choice, and it's easy to see why.

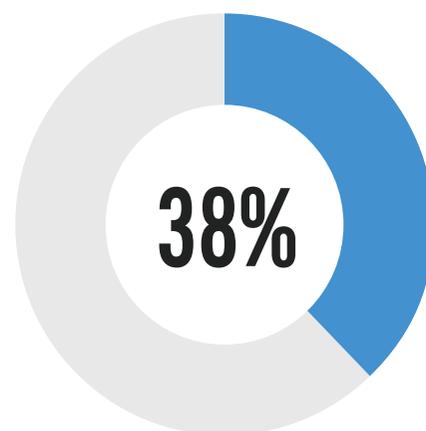
Amazon Italy takes more than 30% of the total share of traffic to shopping sites in the market. In comparison, the second and third most visited sites - eBay and AliExpress - take circa 12% and 2% of traffic.

Amazon saw a massive increase in traffic between the end of February and beginning of March. And it was still up by more than 8% on the March figure in August.

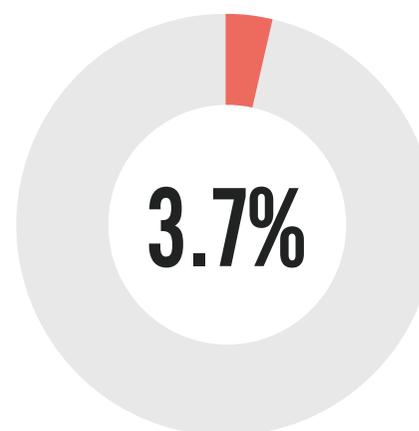
The sales growth rate in Italy appeared to be in sync with the changes to quarantine measures. Following the effects of the pandemic, we can expect that Italian consumers will not return entirely to bricks-and-mortar stores, and ecommerce sales will continue to be concentrated on the well-established marketplaces serving the market.



PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC



Sources:

Statista, Sellics, United Nations, Eurostat, Centre for Retail Research & SimilarWeb

Spain

In comparison to other European countries, Spain's online market has developed relatively slowly, but it is still an attractive destination for brands to sell online.

Pre-pandemic, 58% of the population bought goods online. We expect this to be substantially higher now due to the national restrictions on store shopping earlier this year, and the more recent local lockdowns in certain regions.

Since the confinement of the population due to COVID-19 began in Spain, online sales have grown by a reported 55%. While ecommerce categories such as fashion, footwear and pets saw a decline in sales, sports, furniture and gardening categories all saw growth during the initial lockdown. However, delivery times have been a challenge for Spanish ecommerce businesses due to the saturation of logistics centres and the huge surge in online orders.

Top shopping sites in Spain include a mix of marketplaces and traditional retailers. Amazon

and AliExpress are the most visited shopping sites; and have been praised for improving the standards of logistics and encouraging the use of online services among the Spanish population.

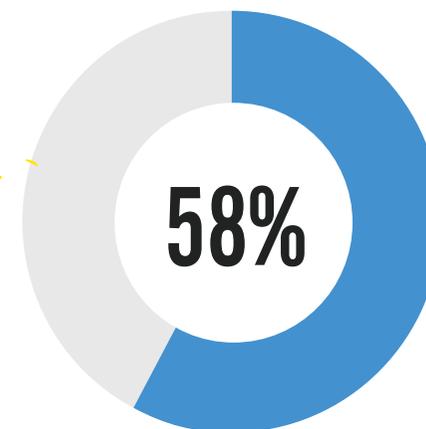
Spanish customers have adopted AliExpress more than those in other EU markets, encouraged by the cheap prices of goods sold by Chinese brands and willingness to accept the longer lead times for delivery. In fact, it has been so successful in the market that AliExpress opened a new air route to Spain in July to reduce delivery times by 30% on orders being delivered cross-border from China.

The third most visited site is El Corte Ingles, Spain's most high-profile department store. Bricks-and-mortar retailers are responding to changing shopping behaviour and shifting resources to enable online sales. Non-food retailers and supermarkets have adapted by adding new delivery services - such as curbside pickup and collection at lockers - to match consumer demand for more shopping options.

POPULATION SIZE



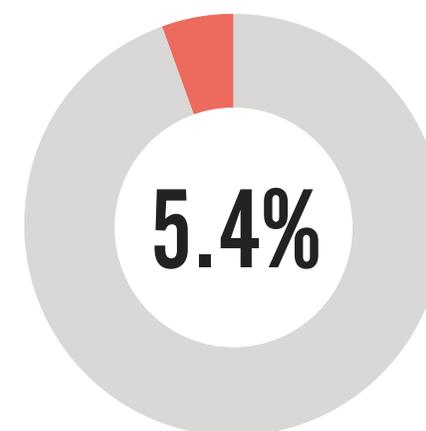
PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC



PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



Sources:
Cross-border Magazine, Inditex, United Nations, Eurostat,
Centre for Retail Research & SimilarWeb

Netherlands

Though it is one of Europe's smaller countries, the Netherlands has enjoyed rapidly growing ecommerce market in recent years. 81% of the Dutch population have bought goods online in the last year, with mobile commerce a key driver.

Dutch gross domestic product fell by 8.5% in Q2 of 2020, driven by a slump in household consumption. While shops in the Netherlands were not forced to shut as part of lockdown measures, ecommerce spending has still increased considerably since the start

of the COVID-19 outbreak as Government recommendations to stay at home led to a drop in sales in physical stores.

Amazon launched a localised site for the Netherlands in early 2020, but has some way to go to match the rates of traffic seen by local competitors Bol.com and Coolblue.

Amazon's traffic has grown from 6.5 million to 11.3 million visits a month between March and August this year. This is still small compared to the circa 54

million visits that market leader Bol.com saw from customers in the Netherlands in August. Some Dutch shoppers are also still choosing to buy products cross-border from Amazon Germany, as it has a wider selection and can be cheaper.

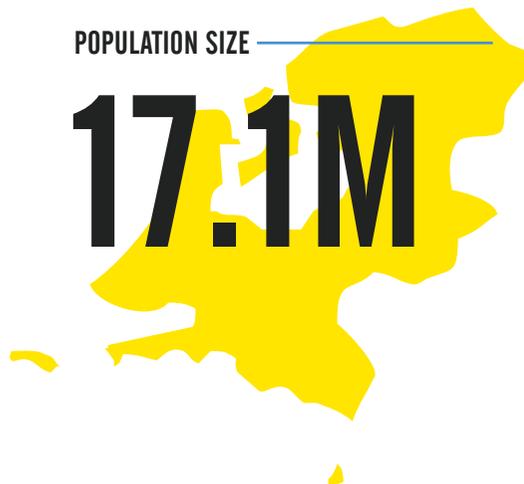
The Netherlands has a large number of ecommerce shops per capita, and homegrown online retailers are also an important route to market for international brands. Localisation is crucial for success in the market; those who appeal to local tastes and trends

and offer translated content are favoured.

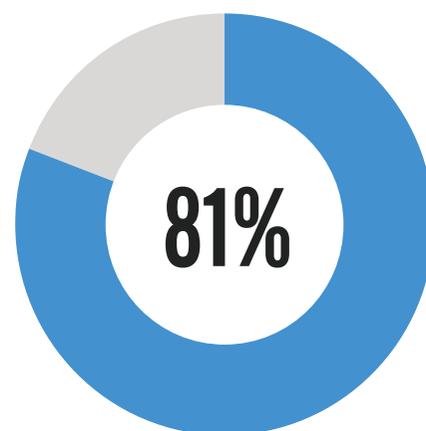
Quick delivery and fulfilment of orders are important elements of the ecommerce shopper journey in the Netherlands as a result of the country's reputation for best-in-class delivery and logistics. Ecommerce delivery methods have evolved to include even delivery by bicycle. Brands who want to offer a localised website for the market must consider the importance of providing a prompt, tailored delivery service to suit Dutch consumers' needs.

POPULATION SIZE

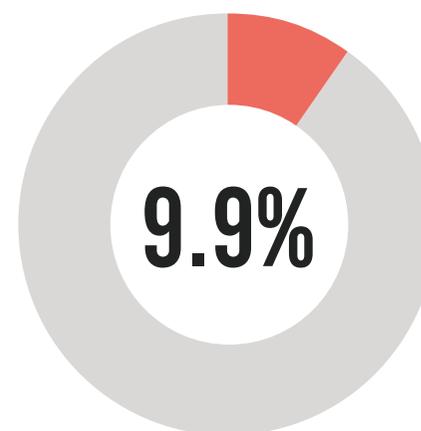
17.1M



PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC



Sources:

eMarketer, United Nations, Eurostat, Centre for Retail Research & SimilarWeb

Sweden

Sweden is a particularly interesting market for brands who want to sell their products online. As the only EU country not to introduce lockdown measures, its economy has shrunk far less than the others due to the pandemic.

At the same time, it is due to be the next market to get its own localised version of Amazon.

With 82% of its 10.1 million population having bought goods online in the past year, Sweden is a mature market in terms of ecommerce, and soon to be even better connected. Sweden's Government has the goal of giving 95% of its population access to high-speed internet of 100 Mbps by 2020, and 98% access to 1 Gbps internet connections by 2025.

Sweden's large number of internet-savvy and multilingual consumers has meant local ecommerce retailers have faced increased competition from bigger international online retailers and marketplaces. Estimates suggest more than one-fifth of online sales in the market are cross-border.

In fact, although two of the top three shopping sites in the country are local retailers, Amazon's US instance has the third highest traffic share.

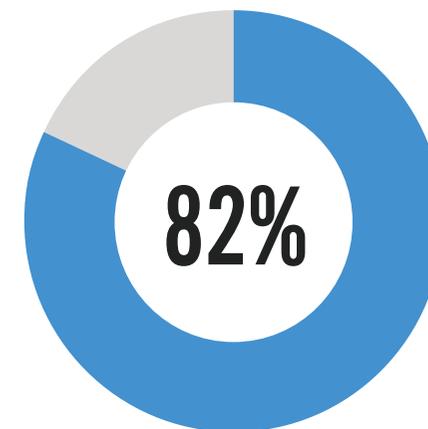
This summer, Amazon announced it will launch in Sweden as part of a plan to expand its presence in Europe. Amazon has previously been available to Swedish consumers through its German instance, but this launch will provide the localised experience that we expect to drive the percentage of total retail sales occurring online much higher.

POPULATION SIZE

10.1M



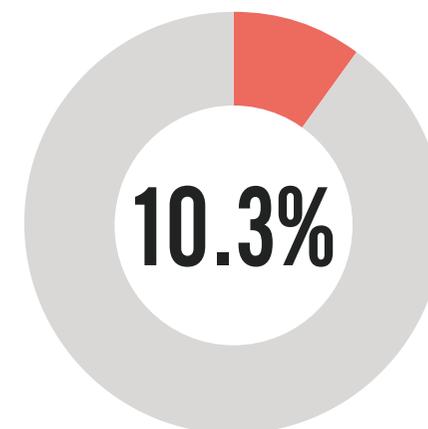
PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC

CDON
clas ohlson
amazon

PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



Sources:

United Nations, Eurostat, Centre for Retail Research & SimilarWeb

Poland

Prior to the pandemic, the Polish ecommerce market was developing well, driven by strong consumer confidence and high GDP and wage growth. 54% of its 38 million population were buying goods online before the pandemic, and the percentage of total retail sales that take place online is also encouraging.

Although online shopping has taken some time to progress in Poland, ecommerce is set to experience double-digit growth in 2021. This bucks the overall economic trend. Due to the COVID-19 outbreak and full domestic lockdown in the country, the country technically entered a recession in Q2 2020 for the first time since the Communist era.

Consumer behaviour in Poland is dictated by a desire to receive value for money. Online shoppers tend to be highly conscious of cost; and keen to compare prices, websites and special offers before purchasing. This is reflected in Poland's top three shopping sites: Allegro, AliExpress and Empik - all of which offer goods at competitively low prices.

Despite AliExpress's appearance on the list, cross-border spending in Poland is relatively low, making up 6% of total ecommerce spend in 2019.

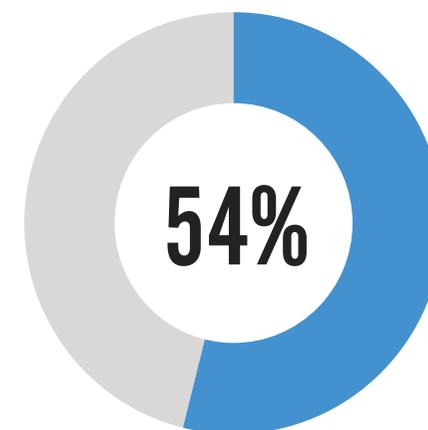
Amazon has also been eyeing up the market in a bid to compete with local marketplace Allegro and is expect to launch a localised proposition soon. The marketplace giant already has a Polish language section within its German website, helping it to build a picture of what Poles want to buy online.

It will face strong competition from Allegro, which has nearly a third of the total population of Poland as active buyers.

POPULATION SIZE

37.8M

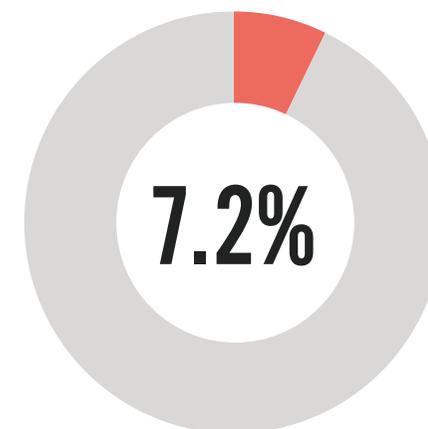
PERCENTAGE OF POPULATION WHO BOUGHT ONLINE



TOP THREE SHOPPING SITES BY TRAFFIC

allegro
AliExpress
empik

PERCENTAGE OF RETAIL SALES THAT ARE ONLINE



Sources:
JP Morgan, Oxford Economics, United Nations, Eurostat,
Centre for Retail Research & SimilarWeb

The rise of marketplaces

While online sales through marketplaces don't match the levels seen in the USA or China, Amazon and a number of local competitors have taken considerable European market share in the past five years.

Marketplaces were slower to take online market share in Europe than the USA or China, but they are now an increasingly important route to market for brands. For instance, Amazon is estimated to have a circa 30% share of the UK and German ecommerce markets.

In the following pages, we profile some of the most important and interesting marketplaces operating in Europe. From the statistics presented, it is clear that they attract significant traffic and have high visitor engagement, which has translated into sales.

Marketplaces also accounted for 59% of the 143 billion euros spent on cross-border ecommerce by Europeans in 2019, Cross-Border Commerce Europe estimates.

Christos Kalogerakis, CEO of Greece's largest consumer electronics retailer Public MediaMarkt (PMM) sees this trend: "Greeks buy from Amazon even though it's not in this country. They buy from it because of Amazon's assortment and price." PMM is addressing this by turning Public's ecommerce site into a marketplace.

Kalogerakis believes PMM can gain traction as the Greek market is underserved online and ecommerce is growing quickly. The number of sellers signed up to the platform has grown by more than four times this year, driven by the pandemic encouraging them to seek new routes to market.

This very much resonates with Pattern's recent experiences as an Amazon seller in the region. We've seen significant interest in Amazon as a sales channel from brands in less digitally mature markets.

Despite this, there is still a belief in the value of both omnichannel retail and brands' own direct-to-consumer websites.

Lego Director for Ecommerce Strategy & Growth Kasper Thams doesn't believe that marketplaces will become as dominant in Europe as they have in the USA or China, but that brands need to get the formula right for their other channels or they will miss out on the coming ecommerce growth.

He says: "First and foremost, I think the share of ecommerce will grow. More ecommerce brings more transparency – which means you need to fight harder for the shoppers."

Amazon and Tmall have used transparency to their advantage in their home markets, and marketplaces present in Europe are doing the same. Thams warns omnichannel retailers and brands must differentiate themselves if they want to build loyal audiences.

“Amazon and Tmall have used transparency to their advantage in their home markets, and marketplaces present in Europe are doing the same”

Sources:

Cross-Border Commerce Europe, Internet Retailing

Amazon

Currently operating in six European countries, Amazon's dominant position for ecommerce sales means that every brand should have a strategy for the marketplace - whether that be to work with Amazon, to compete against it or co-exist.

Interesting shopping behaviour emerged as a result of the COVID-19 pandemic, with European consumers further adapting to the restrictions on their movement in place and turning to Amazon to fulfil their requirements. Amazon's traffic has risen in every European market during 2020, though non-essential stores are now open again, with visits up by 17% in the UK and 9% in Germany between March and August 2020.

Top selling categories over lockdown ranged from Consumer Electronics, Toys & Games, Health & Beauty and Home & Kitchen - all of which reflected the shift to "staying home".

The marketplace's unique subscription proposition, Amazon Prime, offers customers

a multitude of benefits from free and quick delivery to entertainment and media; and is a key purchase driver. The annual cost of Prime varies by market, with the price being cheaper in markets where Amazon is trying to take market share, such as the Netherlands.

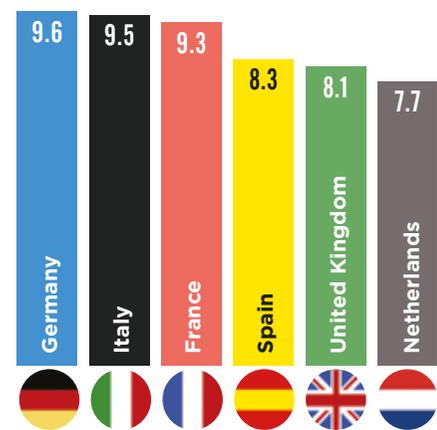
The marketplace's substantial fulfilment network - offering same-day delivery in major cities - is considered market leading. Alongside its fulfilment capabilities, Amazon's ability to offer in-demand goods at consistently lower prices than competitor retailers has been central to its success.

Earlier this year, Amazon announced changes to its fulfilment arrangements in response to Brexit, stating that goods in its UK fulfilment centres will no longer be used to fulfil orders from Amazon's other European instances, as currently occurs through EFN (European Fulfilment Network). At the same time, stock that brands send to Amazon's UK warehouses will no longer be eligible for pan-European FBA. Brands who want

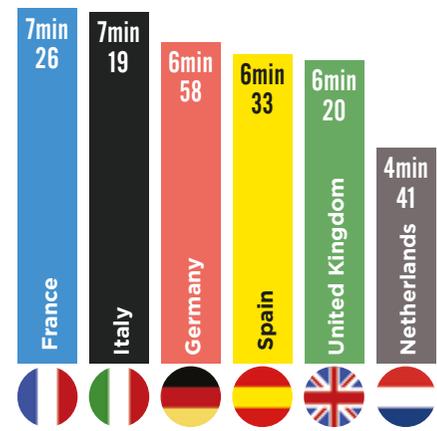
to continue selling their products on Amazon across all European instances will soon need to split their inventory into warehouses in both the UK and at least one other European country.

With the imminent launch of the marketplace in Poland and Sweden, we expect Amazon's market share within Europe to continue to grow. Brands should consider their position on the marketplace carefully and review it regularly.

NUMBER OF PAGES PER VISIT



AVERAGE VISIT DURATION



Source: SimilarWeb

AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

1.45BN

AVERAGE MONTHLY UNIQUE USERS IN EUROPE

290.6M

eBay

eBay is an often overlooked but important player in European ecommerce, facilitating both consumer-to-consumer sales and business-to-consumer sales through its localised websites.

eBay has a total average monthly traffic of 382 million users across Europe with the UK being its largest market, followed closely by Germany. Across its five largest European markets, eBay's Spanish site has seen the highest year-on-year traffic growth of 26.14% since August 2019.

Typically, top-selling categories on the platform are Electronics & Accessories, followed closely by Clothing & Accessories. Further to this Automotive, Health & Beauty and Sports & Outdoors are popular categories in many markets.

The platform lets brands set up a customisable shopfront, creating a central shopping destination for buyers to browse a full product catalogue. As eBay allows sellers to list both new and second-hand product, an eBay shop allows brands to communicate their authenticity and product provenance plus offers more branding opportunities than are possible with other online marketplaces.

As the second-largest marketplace in Europe, its business model has evolved over the years towards a fixed-price offering - which is much more attractive to brands - rather than the auctions for which it was originally known.

 AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

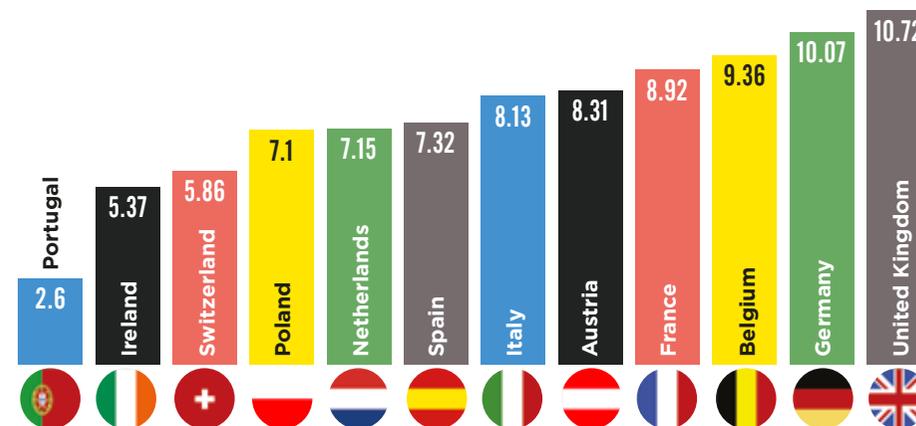
382.8M



 AVERAGE MONTHLY UNIQUE USERS IN EUROPE

143.8M

 NUMBER OF PAGES PER VISIT



 AVERAGE VISIT DURATION



Source: SimilarWeb

Zalando

Zalando is Europe's leading online fashion and lifestyle platform currently operating in 17 markets with a total of 42 million monthly visitors to its sites. It offers clothing, footwear, accessories and beauty from an assortment of international brands ranging from world famous names to smaller local brands, as well as its own private label brands.

The business cites three main areas of focus for its success strategy: its customers, brand partners and infrastructure. To gain its customers' trust, Zalando places its focus on always providing the current season's fashion trends at maximum availability and offering a best practice customer experience through strong personalisation and customer service. Soon

after launching its main site, the platform launched Zalando Lounge, a shopping club providing members access to exclusive promotions and events.

Fashion brands are able to list their products on its site, but retain control over the assortment sold, prices and the representation of their brand. Finally, Zalando's fulfilment solutions give fashion brands access to its logistics infrastructure and it takes over the order fulfilment for partners from inbound to return.

Despite a challenging trading environment this year, Zalando has seen strong growth in its first half, with gross merchandise value (GMV) up 25.1% and active customers up 20.4% year-on-year to more than 34 million.

AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

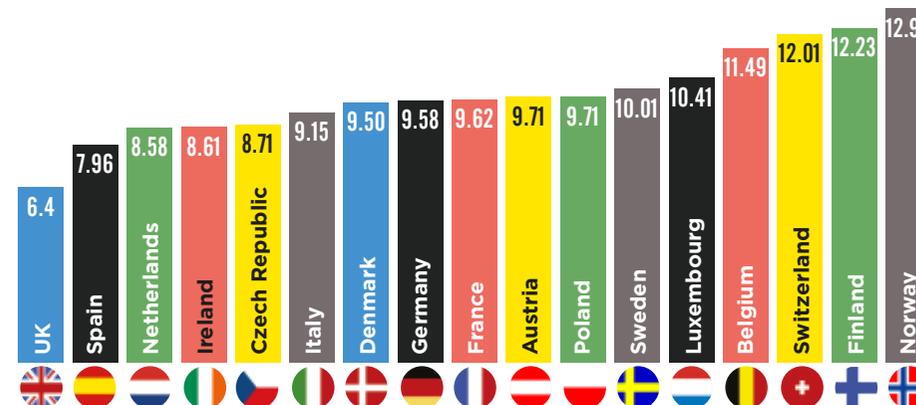
109.1M



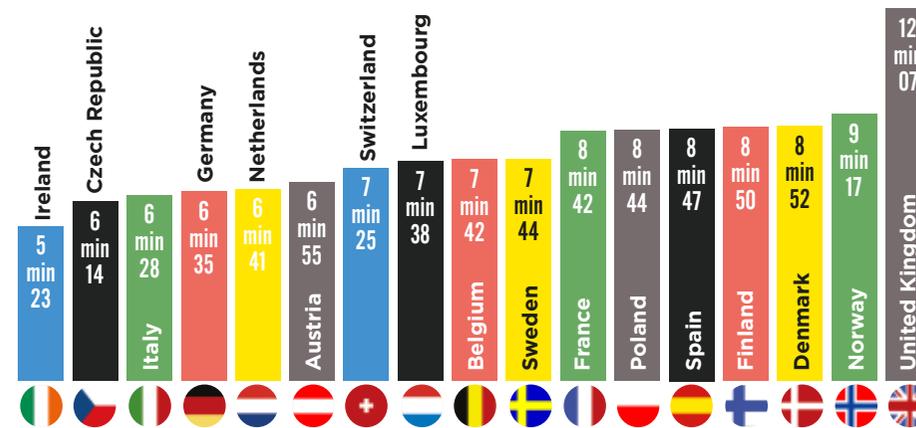
AVERAGE MONTHLY UNIQUE USERS IN EUROPE

42M

NUMBER OF PAGES PER VISIT



AVERAGE VISIT DURATION



Source: SimilarWeb

Real.de

German marketplace Real.de offers an extensive range of 300,000 products that it sells itself, plus another 19 million that are supplied by third-party sellers on its platform. These are spread over more than 5000 product categories, including consumer electronics, furniture, media, DIY, cosmetics, and sports and outdoor.

With nearly 13 million monthly visitors, the marketplace is widely recognised as one of Germany's most popular ecommerce sites, offering shipping to 30 different countries. Similar to Amazon and eBay, resellers and brands can list their products for sale on the site.

Benefits to selling on Real.de include its legal seller protection, its various on-site customer payment options, and low seller fees. The marketplace doesn't charge sellers listing fees, rather a monthly cost and commission rate, which is product dependent.

During the COVID-19 outbreak, the marketplace saw peak traffic levels between March and April reaching 43 million monthly visits. As one of the most mature ecommerce markets in Europe, consumer adoption of ecommerce was already high in Germany prior to the pandemic, and Real.de has been one of the local players that's helped to drive this.

In June 2020, Real.de was acquired by German retailer Schwarz Gruppe, which owns German grocery retailer Lidl and hypermarket chain Kaufland. The marketplace was owned for a short time by an investment firm, having previously been part of Germany's largest retail business Metro AG.

Schwarz Gruppe plans to change Real.de's branding to Kaufland, but will continue to operate the site as a marketplace. This should complement Kaufland's 1300 stores, which offer a large selection of goods at low prices to customers across Germany and seven other Central and Eastern European countries.

 AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

24.3M

 AVERAGE MONTHLY UNIQUE USERS IN EUROPE

12.8M

 NUMBER OF PAGES PER VISIT

4.3

 AVERAGE VISIT DURATION

3M 21S

Otto

Established in 1949, Otto became one of the biggest mail-order catalogues for everyday shopping. Having embraced the digital age - and transitioned to a marketplace where it sells goods itself as well as hosting third-party sellers - it's now the third most visited shopping site in Germany.

Supporting a wide variety of product categories from fashion to household goods and furniture, the marketplace lists over 6800 brands and three million products.

Otto's sales rose by more than 25% in its latest half-year results to the end of August. It has acquired more than a million new customers and 500 new brands so far in 2020.

Ranking behind Amazon and eBay, Otto's German instance still sees an average of 53 million monthly visits to its site.

Meanwhile, its Dutch instance, although not as established, has an average of 2.5 million monthly visits. With consumers in both the German and Dutch markets open

to shopping online now more than ever, it's expected these numbers will continue to rise.

As part of its customer value proposition the marketplace offers a subscription model, Otto UP which gives customers a host of benefits from free delivery, to exclusive offers and discounts from its partner brands.

In addition to this, the marketplace also offers a rental service, Otto NOW through which customers can flexibly rent technology, household, sports and furniture products, with a subsequent option to purchase them.

With its own delivery operations company Hermes, Otto is able to compete with Amazon's high-level logistics and benefit from the increase in cross-border business across all major European markets.

For retailers and brands looking to expand their operations in Germany and the Netherlands, Otto provides an opportunity to tap into its established customer base.

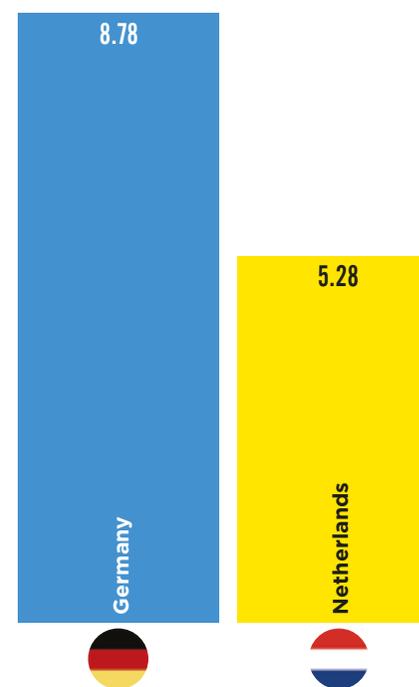
 AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

53M

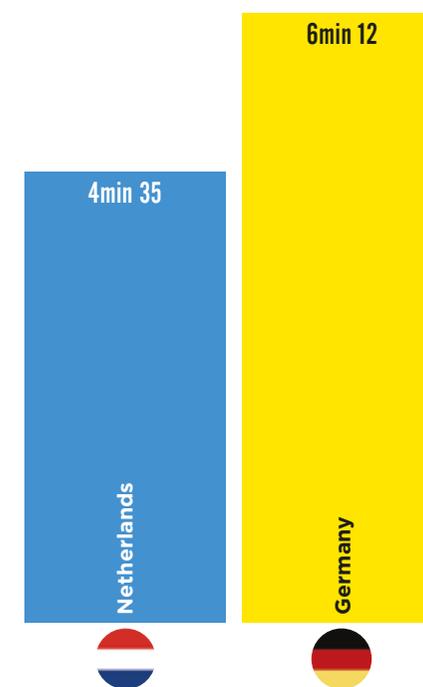
 AVERAGE MONTHLY UNIQUE USERS IN EUROPE

19.5M

 NUMBER OF PAGES PER VISIT



 AVERAGE VISIT DURATION



Cdiscount

Cdiscount is the second largest marketplace in France after Amazon, positioning itself as an online discount retailer, with its audience looking for online deals and special offers. Its 64 million monthly site visits offer plenty of sales potential for brands and retailers looking to expand their business in the French market.

Consumer electronics make up a significant portion of Cdiscount's sales amongst other popular categories including, homeware, clothing, jewellery, and toys.

Alongside the vast product choice, the marketplace has its own loyalty programme, Cdiscount à volonté, giving members a range of special privileges. Much like competitor offerings, members receive unlimited free delivery, special customer service benefits, unlimited access to press media, and a shared subscription for the family.

Adding to this, its logistic expertise and own fulfilment service, Cdiscount Fulfilment, allows brands to hand over the entire fulfilment process and order tracking to the retailer.

Brands can benefit from its well-developed distribution network which boasts the option of fast and flexible home delivery or collection at one of its thousands of pick-up points throughout France, Belgium, Luxembourg, Germany and Italy.

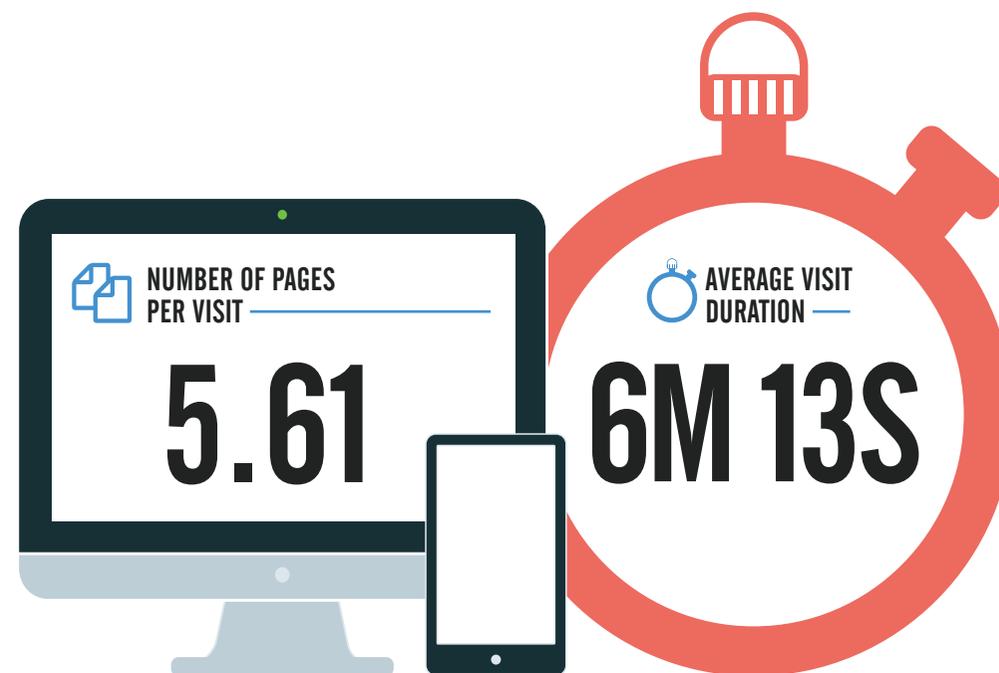
Strict lockdown measures in France have supercharged ecommerce sales drastically as consumers shifted to purchase more goods online. As Amazon's French warehouses came under scrutiny for health and safety regulations, traffic on Cdiscount skyrocketed between March and May 2020 from 50.5 million visits to 69.5 million.

 AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

64.1M

 AVERAGE MONTHLY UNIQUE USERS IN EUROPE

23.3M



AliExpress

AliExpress is the ecommerce retail platform of Alibaba, currently operating in 220 different countries and regions. In 2019, the marketplace opened its doors to welcome sellers from Europe, with Spain, France, Italy, and Poland being key markets.

Buyers can find a huge array of products divided into many categories, and its average of 145 million monthly visitors in Europe may start to convince Western brands to begin listing their products on the platform.

In Spain, ecommerce sales are predicted to experience faster growth than any other country in Western Europe thanks to the rise of AliExpress and Spanish consumers being more price-

conscious. Traffic-wise, Spain is the marketplace's largest market and it has noticed this. In fact, it chose Spain for its first physical store and partnered with popular retailer El Corte Inglés to add its products to the marketplace.

Keen to emulate the success of livestreaming in China elsewhere, AliExpress used the COVID-19 pandemic as the perfect opportunity to empower livestreamers from European markets where it has a strong presence namely Poland, Spain and Ukraine. Having launched the AliExpress Connect platform in May this year, we can expect to see livestreaming gain popularity particularly in the post-COVID era.

 AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

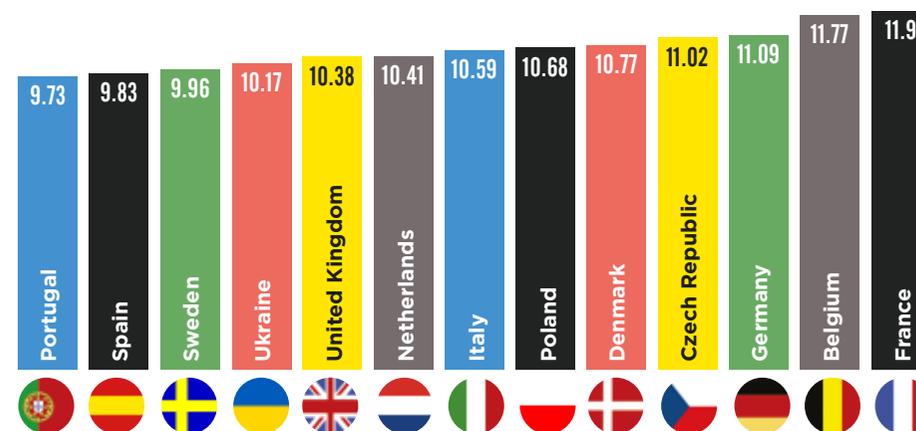
145.6M



 SIZE OF PRODUCT RANGE

100M

 NUMBER OF PAGES PER VISIT



 AVERAGE VISIT DURATION



Source: SimilarWeb, AliExpress, Reuters

Allegro

Polish online marketplace Allegro welcomes 27 million visitors to its site each month, with 12.3 million active buyers and 117,000 merchants selling on the site.

Operating only in Poland, the site is also popular with Polish expats living in other European markets - who use it to buy for friends and relatives back home.

Though Poland is technically in recession as a result of the pandemic, online sales have been strong. Allegro reported gross merchandise value (GMV) up 25% in 2019, and by more than 50% in the first half of 2020.

Much like Amazon in the UK, a significant percentage of Polish consumers start their search for products on Allegro, rather than search engines or other sites. Top five categories on the marketplace include electronics, fashion, home, childcare and health and beauty; with searches for branded goods being particularly popular.

Just recently, Allegro announced its intention to float on the Warsaw Stock Exchange. It intends to undertake what will be the country's largest initial public offering. In its bid to compete with the likes of Amazon, Allegro is considering improving its delivery proposition and increasing its fintech activities.

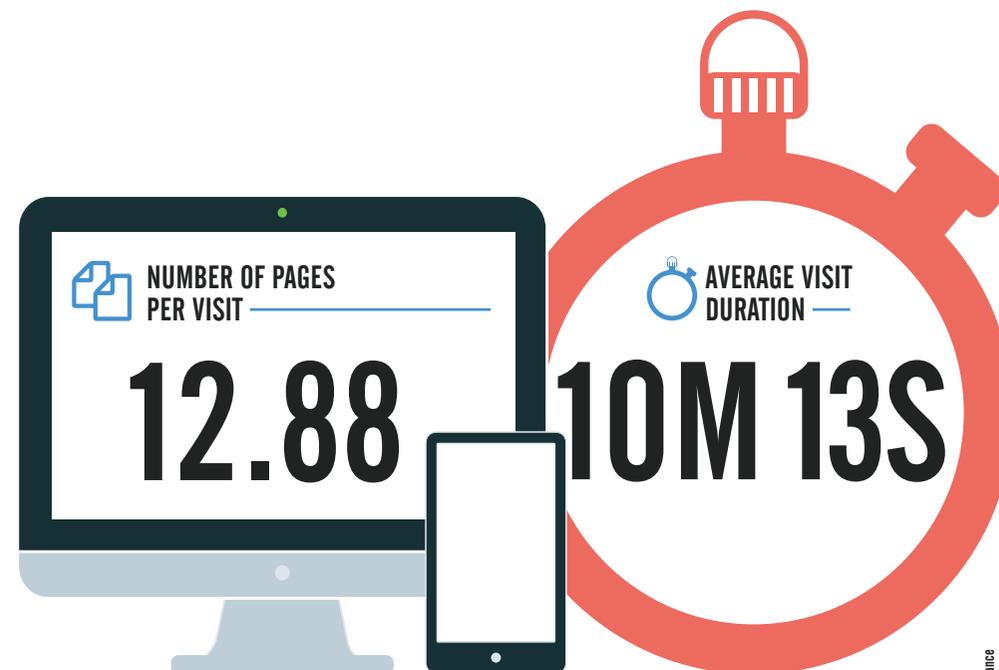
Only 7.2% of Poland's total retail sales are online, which Allegro believes gives it scope for further growth. The marketplace says it has no plans to expand beyond the Polish market, which remains its number one priority.

 AVERAGE MONTHLY TRAFFIC IN EUROPE (VISITS)

200.5M

 AVERAGE MONTHLY UNIQUE USERS IN EUROPE

27M



Source: SimilarWeb, Allegro, Yahoo Finance

The role of D2C

A direct-to-consumer website can pay dividends for brands who understand how to maximise their value as a channel to market.

Brands regularly ask us whether they should bother with creating localised direct-to-consumer (D2C) websites to service customers in Europe, or whether marketplaces and third-party retail channels are enough to give coverage.

Our advice always begins with examining the role of each channel for the brand, and identifying whether there is a clear role for a D2C website that differentiates it from the other channels.

Anthony Duffin, ex-Global Head of Digital at PZ Cussons says that a brand should gain both direct and indirect benefits from its D2C websites: “We see D2C as an incremental

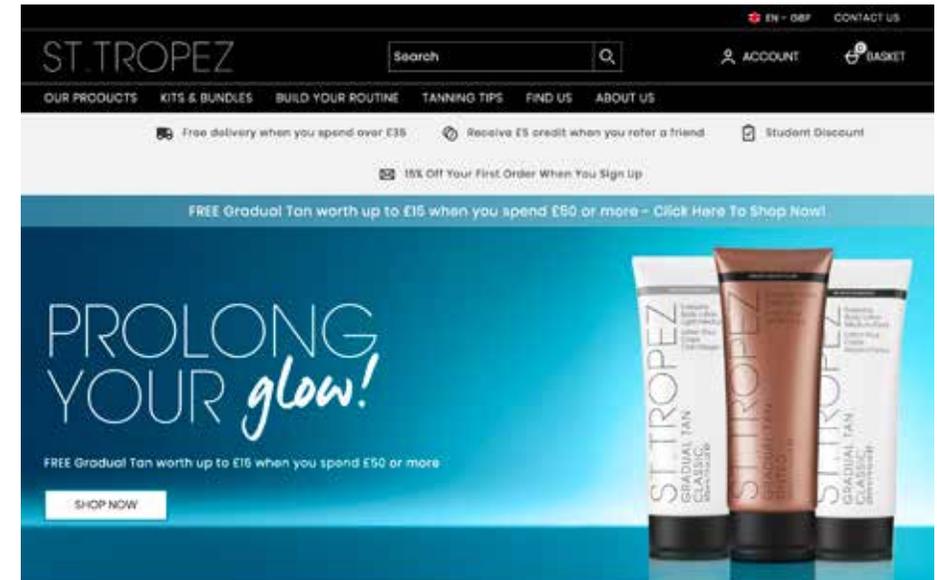
growth opportunity that complements, not competes against existing channels. D2C is about value and not volume for us, it is an opportunity to engage with consumers in our existing markets with a value add proposition, but also reach new consumers where we currently don’t have a presence to grow our geographic penetration.”

Duffin adds: “D2C also gives us an added benefit of deeper consumer insight to help shape and influence our product, promotion and pricing strategies.”

We’ve previously benchmarked the added value provided to customers by 100 direct-to-consumer websites in Europe.

“D2C also gives us an added benefit of deeper consumer insight to help shape and influence our product, promotion and pricing strategies”

Anthony Duffin



We found they broke down into three main areas:

- **Value add products** – such as online exclusives and personalised products
- **Value add services** – such as extended warranties or a subscription service
- **Value add content** – such as buying guides or other editorial content that supports customers in making the decision to buy

Unsurprisingly, the brands that delivered the best D2C website experience tend to be those who have a focused strategy that prioritises the D2C channel, including Nike and Nespresso.

European customer expectations

Europe's online shoppers have high expectations at every stage of the shopper journey, and brands must take this into consideration when assessing their online routes to market.

Our benchmarking work for Google - we assessed the omnichannel experience provided by 223 retailers across 10 European countries for a Google study - means we have great knowledge of what European shoppers expect.

Below we outline what a seamless shopping experience means for a European customer.

A great customer experience includes:

- A user-friendly mobile website
- Next-day delivery option
- Guaranteed delivery day
- Free returns
- Click-and-collect
- Localised payment options
- No taxes or duties added at checkout
- Guest checkout option

European customers can also value personalisation of products and services offered online, and this has been an area where D2C sites particularly have sought to differentiate themselves from

other online and offline sales channels.

In Western Europe next-day delivery is often standard for non-grocery orders, and increasingly same-day delivery is being offered in major metropolitan areas. Amazon wasn't the first to offer this, but its highly competitive fulfilment operation has made it a standard that other retailers must match.

Click-and-collect is also a popular fulfilment method in markets such as the UK, France and Germany. Even Amazon and eBay have got in on the game.

Amazon has a growing network of lockers that customers can have their parcels delivered to, to pick up at their convenience, and eBay partnered with UK retailer Argos to allow customers to pick up their eBay orders at Argos stores.

With brands not able to mandate a price that retailers sell products at, price competition can be



65%

OF BRANDS RESPONDED TO A CUSTOMER EMAIL WITHIN 24 HOURS



59%

OF BRANDS FEATURED PRODUCT RATINGS & REVIEWS



84%

OF BRANDS OFFERED GUEST CHECKOUT



86%

OF BRANDS OFFERED FREE DELIVERY

intense. European shoppers are used to shopping around to get the best deals, and are likely to check prices on multiple sites, or begin their product search on a marketplace that will show a range of sellers and prices, to ensure that they get the best deal.

“In Western Europe next-day delivery is often standard for non-grocery orders”

European ecommerce team structures

Should brands embed digital knowledge across their sales teams, or have ecommerce specialists to deal with their main ecommerce accounts?

The percentage of retail sales being generated online has become significant in a number of countries and product categories across Europe. The continent's offline retailers have developed successful online businesses and marketplaces have also grown in significance in the last decade.

This creates a dilemma for brands selling in the region, who must decide whether their account managers become omnichannel retail experts, with an understanding of both online and offline sales channels, or they build a siloed team of ecommerce specialists to service their online retail and marketplace accounts.

Some brands even carve out an accelerator unit to speed up their online growth. This can work well to manage D2C websites, which may struggle to get focus in a large brand that's used to selling through third-party retail channels.

Charlotte Brownlee, Global Ecommerce Commercial Director at Bacardi says that one size doesn't fit all, but the integrated approach is the right one for her business: "Culture plays a huge part in a shaping a structure, and the financial configuration of the business will also have an influence. From my perspective, ecommerce teams have to be more involved in developing a structure that works for them and expect this to evolve over time; and the business needs to be open and dynamic to this."

She adds: "For our business there is a huge benefit to having ecommerce integrated into the wider business as this upskills the whole organisation, making us fit for the future."

Brands often started with an ecommerce specialist or two joining the sales team, to focus on selling to online grocers and marketplaces, while the mindset of the rest of the team was very much offline. As online sales



penetration has grown, more brands have moved away from siloed models, and upskilled the entire sales team on digital retail.

However, there can still be a place for specialists in the team - particularly to service big wholesale accounts such as Amazon - and an ecommerce leader at a senior level ensures a strategic focus on digital channels.

“There is a huge benefit to having ecommerce integrated into the wider business as this upskills the whole organisation”

Charlotte Brownlee

Retail channel optimisation



Benchmarking your online retail partners can help you to optimise the channel and ensure that your customers get the best experience when researching and buying your products.

Benchmarking is a well-established practice for brands to assess their product ranges and pricing against the competition. We recommend they benchmark the online proposition and customer experience provided by their retail partners too, to support the optimisation of their online retail channels.

Increasingly FMCGs and other brand owners want to understand the digital performance and customer experience offered by the retailers who sell their products. For them, the decisions to make are around who their key retail partners should be, how can they better support those partners, and how should they differentiate their digital direct-to-consumer propositions.

We now see brands tiering their retail partners off the back of such exercises, based on the retailers' digital sophistication and performance. Their top tier of online retail partners may be given exclusive products to sell or offered more marketing support and funding than retailers in lower tiers.

The benchmarking studies we conduct on behalf of brands in Europe look at the experience their online retail partners provide through the eyes of the customer. We devise a scoring matrix for each benchmarking project relevant to the category of the brand's products and the way it is bought online.

Benchmarking should determine how seamless the customer journey provided by each retailer is, how much value their ecommerce sites add for customers and determine best practice that the brand can encourage its other retail partners to adopt.

For brands who want to enter Europe, benchmarking is a useful tool to assess which online channels and retail partners the brand should focus on in each market, and whether a direct-to-consumer site is also required.

With the rise of online marketplaces in Europe, and particularly Amazon, retailers and brands must differentiate through the customer experience they provide on the websites if they want these channels to deliver incremental sales.

The challenges of selling cross-border

With most European countries part of the European Union, brands headquartered in North America and Asia could be forgiven for thinking that cross-border selling within Europe is straightforward. Alas no, despite the customs union, there is still much to consider; particularly if you want to launch localised D2C websites serving different countries within Europe or sell on marketplaces.



Taxes & Duties

Value Added Tax (VAT) or sales tax can be due on goods sold into European countries even if the brand has no presence there. The minimum threshold to be eligible to pay VAT as a distance seller varies by country, and brands should be aware that there is no minimum threshold in certain countries.

As a seller, it is crucial that you have a VAT number for each relevant country where you expect to reach the threshold limit.

VAT rates vary, through the standard rate is set at a minimum of 15% for all EU countries, as do zero-rated products. When creating commercial plans for selling in Europe, you should take these differences into account.

Finally, all goods coming into the EU need an HS Code, or Harmonized Systems Code. The code is required by customs officers for any commodity crossing an international border, and determines what duty is paid.

Currencies & Payment

Though there are circa 343 million European consumers using the Euro, it's not the only currency that brands selling cross-border into Europe need to consider. Notable countries to have retained their national currencies include Denmark, Sweden and Poland within the EU, and the UK and Switzerland.

As a minimum we would recommend allowing cross-border customers to buy from your websites in both British pounds (GBP) and Euros (EUR), even if no other localisation takes place.

A variety of payment options should also be considered to cater to local preferences as credit card usage is low in certain markets. Klarna is present in 12 European countries and, when enabled as a payment type, gives consumers the option of paying within 30 days, in three instalments, or other finance options for larger purchases.

In the Netherlands, many consumers prefer iDEAL, an online payment system that allows them to do a direct online transfer from their bank account.



Product safety standards & labelling

Even within the European Union, differences in requirements for product standards and testing remain. Vitamins & Supplements is one category where we have encountered this. Each European country will have its own guidelines on banned ingredients and recommended dosages, which can hamper brands who

hope to sell the same product in every European market.

This is compounded by labelling requirements, as ideally products should be labelled in the language of the country they are being sold to.

Only some goods have

harmonised standards across the EU. An upcoming rule - the Market Surveillance & Compliance of Products Regulation - will impact brands selling certain non-harmonised products into the EU online.

Under the new regulation, Brands selling goods with a CE

marking - including toys and consumer electronics - will need to nominate a "responsible person". That person must reside in the EU and will be responsible for all product conformity documentation, cooperation with market surveillance authorities and informing authorities if they believe a product presents a risk.



Grey & Counterfeit Goods

As the European Union allows free trade between member states within its borders, then it is illegal for brands to prevent goods supplied for one market being sold in another. Where there are price differences between the same goods sold in different EU markets, grey market activity is more likely.

Bayer Consumer Health Global Capability Director Nick Wall reminds businesses that managing or limiting the free movement of goods breaks EU competition law. However, brands are within their right to ensure that only genuine product is sold.

He explains: “Businesses will want to ensure that they map and understand the commercial value chain or product flows to ensure the legitimacy of

products entering the supply chain; counterfeit products can cause any brand owner significant harm.

It’s important that businesses constantly look to understand product flows to ensure authentic product is supplied to end consumers, however they purchase.”

Brexit

As it stands, the United Kingdom and European Union have yet to finalise negotiations on a trade deal. As a business selling on Amazon across Europe itself, Pattern has prepared for the worst and assumed that there will be a hard border between the United Kingdom and the rest of the EU.

With this in mind, we have already split our stock between warehouses in the UK and the Netherlands.

Amazon has warned sellers that they need to do this by the end of 2020, as stock in its UK warehouses will no longer be used to fulfil orders from other European instances of Amazon through its European Fulfilment Network, and stock sent by sellers into Amazon’s UK warehouses will no longer be eligible for pan-European fulfilment by the marketplace.

About Pattern

Pattern is the premier ecommerce partner to global consumer brands. With employees in 18 global locations, Pattern's ecommerce expertise and data-driven insights help brands to deliver profitable growth on their ecommerce sites and marketplaces such as Amazon, eBay, Tmall and JD.com.

One of the largest Amazon sellers in the world, we act as the authorised seller partner for brands; buying their stock to sell on the marketplace and taking care of every aspect of

their Amazon presence. Product listings, marketing, customer service and logistics are all taken care of when a brand engages with us. We represent brands on Amazon.com and many of its international sites, including all the localised sites it operates in Europe.

In addition, our consulting arm can support the development of your ecommerce or marketplace strategy. We regularly support brands in entering European markets online, as well as helping those already present to optimise and

grow sales through their direct-to-consumer websites and third-party retail channels.

To discuss how Pattern could assist your brand in Europe visit our website or contact us at the below email address.

UK@pattern.com
www.pattern.com/uk