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eCommerce expected to accelerate globally in 2014

Equity Research

Raising Goldman Sachs global ecommerce forecasts

Global ecommerce growth slows 170bps in 2013

Global ecommerce growth on a USD basis slowed by 170 bps in 2013 to 17.1% yoy vs. +18.8% in 2012 driven by a condensed U.S. holiday season, the higher U.S. payroll tax, a slower growing Europe, and currency deflation relative to the U.S. dollar in Japan, Latin America, and India. Despite this deceleration, 3rd party data suggests that the rate of share shift from offline to online was stable globally at 61bps in 2013 vs. 64bps in 2012 according to Euromonitor and accelerated to 98bps from 84bps in the US.

Expect macro-driven acceleration in 2014

Our global forecast suggests 2014 should reaccelerate to 17.9% from +17.1% in 2013 and in the U.S. to 16.1% from +15.9% in 2013, as faster growing international markets become a larger part of the mix, the U.S. economy improves with forecasted real GDP of +2.9% in 2014 vs. +1.9% in 2013, Euro Area real GDP rebounds to +1.2% in 2014 vs. -0.4% in 2013, and FX headwinds potentially ease. In addition, we believe mobile will continue to accelerate the shift online, aided by growth in curated commerce and the development of omnichannel opportunities, while the pace of share gains from store-based retail continues as retailers consolidate square footage and inventory in certain verticals and develop their own online businesses.

Mobile remains key catalyst, particularly during the holidays

Mobile is increasingly a catalyst for ecommerce as smartphones and tablets drive frequency and engagement, personalization, incremental transactions, and in-store price comparison, though store-based retailers are improving mobile savviness to drive in-store traffic and engagement. During the 4Q13 holiday season, more than half of Amazon's consumers shopped with a mobile device while PayPal (eBay) saw 115%+ growth in total payment volume on Thanksgiving and Black Friday.

Goldman Sachs ecommerce/retail recommendations

Across our global coverage we believe the best opportunities in ecommerce and traditional retail well-positioned for ecommerce are in Amazon, eBay, Carter's, Kinnevik, Naspers, Nordstrom, Ocado, PVH Corp., Ralph Lauren, RetailMeNot, VIPshop, Urban Outfitters, Yahoo (Alibaba exposure), Yahoo Japan, Yandex, and YOOX (Exhibits 1 & 2). Alternatively, we rate Bed Bath & Beyond, Genesco, Kohl's, and MercadoLibre at Sell.

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PM summary: what to expect from ecommerce in 2014

Global ecommerce growth on a USD basis slowed by 170 bps in 2013 to 17.1% yoy vs. +18.8% in 2012 driven by a condensed U.S. holiday season, the higher U.S. payroll tax, a slower growing Europe, and currency deflation relative to the U.S. dollar in Japan, Latin America, and India. Despite this deceleration, 3rd party data suggests that the rate of share shift from offline to online was stable globally at 61bps in 2013 vs. 64bps in 2012 according to Euromonitor and accelerated to 98bps from 84bps in the US.

2014 should see reacceleration. We believe that 2014 should reaccelerate on a global basis to 17.9% from +17.1% in 2013 and in the U.S. to 16.1% from +15.9% in 2013. In aggregating our market by market estimates for ecommerce growth, our forecast for global ecommerce growth in 2014-2016 increases by 6% on average. Growth should be led by:

- An improving U.S. economy (GS forecasts real GDP growth of 2.9% in '14 vs. 1.9% in '13),
- A rebounding Euro Area (GS forecasts real GDP growth of 1.2% in '14 vs. -0.4% in '13),
- Easier comparisons from annualizing the U.S. payroll tax and shorter holiday season,
- Potentially easing FX headwinds (with GS forecasting JPY vs. USD depreciation of 4.5% from year end '13 to '14 vs. 21.7% from year end '12 to '13),
- Store-based retailers consolidating locations and square footage.
- Growth in models like curated commerce and the development of omnichannel.

Mobile will remain a key catalyst. Mobile is increasingly a catalyst for ecommerce as smartphones and tablets drive frequency and engagement, personalization, incremental transactions, and in-store price comparison though store-based retailers are improving mobile savviness to drive in-store traffic and engagement. During the 4Q13 holiday season, more than half of Amazon's consumers shopped with a mobile device while PayPal (eBay) saw 115%+ growth in total payment volume on Thanksgiving and Black Friday. Mobile currently accounts for 30% of ecommerce transactions in Japan and 7-10% of transactions in Latin America.

Our new global ecommerce estimates increase 6% on average from 2014-16. Our new ecommerce estimates from 2014-16 come as the result of improving U.S. and European economies and individual market outperformance versus our prior estimates. On a market by market basis, our estimate increases are most pronounced for India (27%), China (14%), and the rest of Asia (29%) following stronger growth than we had prior forecast. Our estimates decline for Brazil (21%) and to a lesser extent for Japan (4%) to factor the impact of FX vs. the USD. For developed markets, our estimates for the U.S. and North America increase 2% on average, while Western Europe increases 10%.

We believe worldwide ecommerce will grow at a 17.1% three-year annual growth rate, driven by North America, China, and Western Europe. In the US, we believe ecommerce will grow 16.1% in 2014 to $241 billion. We forecast a three-year 2013-2016 CAGR of 15.5%. Our 2014 US growth estimates, as well as our three-year CAGR, are ahead of estimates from Euromonitor, Forrester, and eMarketer. Faster international growth of 17.9% over this period will be driven by growth in China (27.8%) and Russia (20.9%).

Key investment ideas

- We view both Amazon, in creating an ecosystem and leveraging significant infrastructure and technology investment, and eBay, growing category share and serving as an enabler of commerce, as among the best leveraged to this growth in ecommerce.
- Other ecommerce names we believe benefit from this growth, include Kinnevik, Naspers, Ocado, RetailMeNot, VIPshop, Yahoo (exposure to private Alibaba group), Yahoo Japan, Yandex, and YOOX (Exhibit 1). Alternatively, we rate MercadoLibre at Sell.
- Traditional retail names we believe are well positioned to benefit from ecommerce growth and omnichannel retail include Carter's, Nordstrom, PVH Corp., Ralph Lauren, and Urban Outfitters. Retailers that we believe are vulnerable to ecommerce include Sell-rated Bed Bath & Beyond, Genesco, and Kohl's.

Exhibit 1: Goldman Sachs key ecommerce investment ideas

Company	Ticker	GS Rating	Ecommerce Exposure	Goldman Sachs View
Amazon.com, Inc.	AMZN	Buy	U.S., Europe, Asia	We believe that, as the undisputed leader in online commerce, Amazon has one of the best long-term secular growth runways in the Internet sector. We expect the company will continue to benefit from the accelerating shift of retail dollars online, the growth in mobile commerce, and the addition of new verticals, geographies and services, while significantly expanding margins through its Amazon Web Services (AWS), 3rd party, and advertising businesses.
eBay Inc.	EBAY	CL-Buy	U.S., Europe, Asia	We believe that eBay, having spent the last five years rebuilding the underlying technology infrastructure of the company, is well positioned to take advantage of the growth in online commerce and payments and the convergence of the two with their offline counterparts. We believe that consensus revenue and EPS estimates for the company will prove conservative, particularly in the out years as some of the current early-stage innovation and acquisitions begin to pay off in a meaningful way.
Kinnevik Investment	KINVb.ST	CL-Buy	Europe	We reiterate our view that Kinnevik offers investors a unique opportunity as the stock offers very large growth potential, deep value, and a good dividend yield. Kinnevik's shares rerated in 2013 as the market "discovered" Zalando, Europe's largest online apparel company with EUR1.8 bn in net sales in 2013 (4 years after being founded). We highlight Kinnevik's other holdings in EM(Avito, Dafiti, Jabong, Lamoda, Lazada, Linio and Jumia, to name a few). The EM exposure looks particularly interesting through a long-term lens, as offline and VC competition is relatively limited; people still want to shop and the channel shift could be particularly large (think fixed line vs. mobile a few decades back). On our estimates Kinnevik's current NAV discount is >40%, and above 50% of the NAV is online.
Mercado Libre	MELI	Sell	Brazil, Argentina, Venezuela, Mexico, Other countries Latam	MELI hosts a e-commerce platform in LatAm, offering four services: Marketplace, payment solutions, advertising and on line stores.MELI has a strong competitive position, with a top 2 share of market in terms of e-commerce sales in some of the largest countries in LatAm. MELI's valuation multiples are not reflecting the slowdown in earnings growth we expect going forward, as it trades at the high end of the valuation range compared with its main global peers.
Naspers Limited	NPNJn.J, NPSNY	Buy	Russia	We estimate Naspers trades at a ~20% discount to its NAV as the market underestimates the long-term value creation capability of its cash flow reinvestment. Naspers has a near 30-year track record of successful investment in businesses with high barriers to entry, and we are positive on the development potential of the e-commerce business, which we value at R48.6 bn. The GS price targets for Tencent and Mail.ru Group imply significant upside potential, which together with a contracting NAV discount should drive Naspers' share price
Ocado	OCDO.L	Buy	U.K.	We believe that Ocado has a strong opportunity for growth in both its domestic market of the UK and internationally. We believe its online grocery model is advantaged relative to competition in the UK and that given the slow development of online penetration in the grocery segment elsewhere, there is an opportunity to license the technology internationally. Furthermore, in the UK, the company has started to develop a presence in non-food and this could be a significant growth driver and value creator as the company leverages its existing integrated delivery infrastructure.
RetailMeNot	SALE	Buy	U.S.	RetailMeNot is the category leader in digital couponing, a category with a large addressable market that is still in the early stages of shifting online. Retailers are coming out of a tougher-than-expected 2013 and mobile usage is now a real catalyst for retailers to increase marketing sophistication. RetailMeNot has developed a mobile experience that connects online and instore, that inour view, is underappreciated in consensus estimates.
VIPshop Holdings Limited	VIPS	Buy	China	VIPS is China's leading fashion discounter using an online flash sales model. Its mid-market positioning and flash sales model address two key issues in Chinese apparel retail: (1) inefficient information feedback in today's multi-layer distribution system results in a high tendency for inventory buildup; and (2) high retail price, which is a product of the multi-layer distribution system, and the fact that Chinese consumers are not yet knowledgeable about brands. As a first entrant in this business, we believe VIPS has seen some early mover benefits in building cooperative and advantageous relationships with vendors. We consider management's focus on acquiring new customers to achieve scale to be a reasonable strategy as it should help to create a natural barrier to entry. First mover advantage, the right strategy and adequate funding could propel VIPS' strong growth in the next a few years.
Yahoo! Inc.	YHOO	CL-Buy	China	With the core business generating $1.5 bn in annual EBITDA, a more focused corporate strategy, early signs of new innovation, and the further monetization of the Asian assets acting as potential catalysts, we believe that YHOO represents a compelling risk-reward. With a 24% ownership stake in Alibaba Group, which we currently value at ~$36bn dollars (implying a value of $150bn for all of Alibaba), we believe YHOO represents one of the best ways to gain exposure to the Chinese ecommerce market and privately held Alibaba Group.
Yahoo! Japan	4689.T	Buy	Japan	We view Yahoo Japan as well positioned to create new markets. The company is seeking expansion among ultra-long-tail markets with its free-of-charge strategy and easy-to-use platform for opening and managing stores. It is also targeting mass markets by seeking to bring major brands and retailers onto the Yahoo! Shopping site and developing the business in manufacturer direct sales using LOHACO. Yahoo Japan has largest use base and traffic in Japan thanks to their portal business and there is large potential to leverage this traffic to their shopping business as well. These efforts will encourage more customers to use ecommerce and lead to its higher market share in Japan ecommerce market.
Yandex N.V.	YNDX	Buy	Russia	In our view, Yandex delivers solid execution in a very strong Russian online market. The company continues to demonstrate an ability to sustain and grow market share in the Russian search market through its solid portfolio of products. Finally, while Yandex has no direct ecommerce exposure to the Russian market just yet, it has begun to build a presence through Yandex.Market, a price-comparison service in Russia.
YOOX S.P.A	YOOX.MI, YXOXY	CL-Buy	Europe, China, U.S.	YOOX offers pure-play exposure to growth in online luxury retail. We forecast a 45% EPS CAGR through 2012-15 and cash returns approaching 30% (CROCI), with growth from new brand wins compounded by penetration-driven market expansion. Online luxury retail is at an early stage, representing only 3% of sales for the sector globally. As the market leader with c.30% share in its Monobrand business, YOOX should benefit from the significant penetration opportunity this represents. We expect growth in YOOX's Multibrand business to be supported by a broadening global presence (the US and China are key markets of focus), in addition to consolidating the recently launched TheCorner.com and Shoescribe.com sites.

Source: Goldman Sachs Research estimates.

Exhibit 2: Goldman Sachs key traditional retail investment ideas with significant ecommerce exposure

Company	Ticker	GS Rating	Ecommerce Exposure	Goldman Sachs View
Bed Bath & Beyond, Inc.	BBBY	Sell	U.S.	We believe BBBY is vulnerable to pressure related to ecommerce, on two fronts, contributing to our Sell rating. First of all, it is priced substantially higher than Amazon on a basket of identical products in our latest pricing studies, prior to considering coupons and shipping fees, suggesting the need to lower price and sustain ongoing gross margin pressure given the price transparency of much of the category. Second, the company is investing in both data analytics and omnichannel capabilities, having started a bit later than peers, contributing to ongoing expense pressure. The company's margins and returns remain high relative to peers, reflecting outstanding store-level execution, but also suggesting some vulnerability given its investment needs. These factors are in addition to any share loss online, which we view as a less pressing issue.
Carter's, Inc.	CRI	Buy	U.S.	CRI launched e-commerce in 2010, one of the last apparel companies to do so. Since then, the company has had amongst the fastest growing and best executed online businesses in the space. In 2013, growth was up 30%+ with an improving operating margin that's proving accretive to the overall company's profitability. Recent distribution investments are set to further drive profitability and throughput for this growing omni- channel retailer.
Genesco, Inc.	GCO	Sell	U.S.	We believe that GCO, as a brick & mortar oriented business (over 2,500 stores), is amongst the most vulnerable to online encroachment in our universe. The company's investment focus on new square footage in licensed sports merchandise appears to be risky in light of intense competition from online pureplay Fanatics (which has #1 share in the category). Finally, the companys dependence on 2H mall traffic, a season which is seeing the greatest increases in online penetration, adds to the risk profile.
Kohl's Corp.	KSS	Sell	U.S.	Kohl's has been a second-mover online and faces structural margin pressures from the shift due to its lower average price point vs. peers. As these factors continue to weigh on the top- and bottom-line we would expect weaker fundamentals to drive a re-rating of the stock.
Nordstrom, Inc.	JWN	Buy	U.S.	Nordstrom offers a combination of exposure to only the most attractive real estate, expansion potential in smaller format off price retail, and a best in-class omnichannel interface (mobile, desktop, in-store, etc.). While related investments depress cash flow and earnings in the near-term, the company continues to position itself to be on offense for the long-term.
PVH Corp.	PVH	Buy	U.S.	PVH sells leading apparel brands Calvin Klein and Tommy Hilfiger. The business mix today is largely wholesale, with big box retailers as primary customers. PVH is positioned to win as consumers shift apparel spending dollars online as the channel shift drives increased purchases direct from top of mind brands rather than through third party retail. The benefits to PVH include: (1) higher dollar profit per garment (perhaps 2X) for wholesalers that capture the downstream retail margin and (2) the opportunity to consolidate market share at the expense of private label or low-recognition brands, which have less consumer pull online.
Ralph Lauren Corporation	RL	Buy	U.S.	RL is a leading apparel brand with largely US exposure and a skew towards men's. Similar to PVH, RL is positioned to win as consumers shift apparel spending dollars online as the channel shift drives increased purchases direct from top of mind brands rather than through third party retail. The benefits to RL include: (1) higher dollar profit per garment (perhaps 2X) for wholesalers that capture the downstream retail margin and (2) the opportunity to consolidate market share at the expense of private label or low-recognition brands, which have less consumer pull online.
Urban Outfitters, Inc.	URBN	Buy	U.S.	We see URBN well positioned to execute as apparel dollars shift online based on (1) its best-in-class apparel brands (Urban Outfitters, Anthropologie, and Free People) , (2) peer-leading ecommerce platform, with online sales penetration at 25% versus the peer average of 10%, and (3) a superior real estate footprint insulated from declining foot traffic at lower quality malls.

Source: Goldman Sachs Research estimates.

Updating the Goldman Sachs global ecommerce forecast

We present our updated Goldman Sachs global ecommerce forecast, broken down by developed markets, BRIC nations, and other emerging economies (Exhibit 6). Our forecast leverages Euromonitor historical ecommerce data, Euromonitor store-based retail forecasts, iResearch data, and Goldman Sachs internal nominal GDP estimates. It's worth noting that Euromonitor regularly revises their historical estimates, impacting year to year growth rate estimates. We examine historical rates of ecommerce gains as a % of store based retail and as a % of nominal GDP by country/region in advanced Internet nations like South Korea as a proxy for the potential in other regions. As a result:'

- We believe worldwide ecommerce will grow at a 17.1% 3-year annual growth rate, driven by North America, China, and Western Europe.
- In the US specifically, we believe ecommerce will grow 16.1% in 2014 to $241 billion. We forecast a three-year 2013-2016 CAGR of 15.5%. Our 2014 growth estimates, as well as our three-year CAGR, are all ahead of estimates from Euromonitor, Forrester, and eMarketer (Exhibit 3).

Exhibit 3: US ecommerce growth estimates
yoy growth

	2014E	2015E	2016E	3-Yr CAGR 2013-16
Goldman Sachs	**16.1%**	**15.6%**	**14.8%**	**15.5%**
Euromonitor	14.7%	14.8%	14.3%	14.6%
eMarketer *	11.8%	11.3%	11.0%	11.4%
Forrester	11.1%	9.6%	8.2%	9.6%

*Source: Euromonitor, Forrester, eMarketer, Goldman Sachs Research estimates. * eMarketer estimates include travel and digital downloads, while the other forecasts do not.*

- We forecast accelerating growth in North America (three-year 2013-2016 CAGR of 16.1%) on a nearly $214 billion base (ex-travel) in 2013, and a 27.8% three-year CAGR for China on a base of around $106 billion.
- While ecommerce growth in Western Europe is a bit slower than in the US and significantly lags the rate in China, it is still growing several times faster than GDP and retail sales, and at an 14.6% three-year CAGR, still represents a great deal of opportunity on a $177 billion base.

Our global ecommerce estimates increase 6% on average from 2014-16. Our new ecommerce estimates from 2014-16 come as the result of improving U.S. and European economies and individual market outperformance versus our prior estimates. On a market by market basis, our estimates come up the most for India (27%), China (14%), and the rest of Asia (29%) following stronger growth than we had prior forecast. Our estimates come down significantly for Brazil (21%) and to a lesser extent for Japan (4%) to factor the impact of FX vs. the USD. For developed markets, our estimates for the U.S. and North America come up 2% on average, while Western Europe increases 10%.

Exhibit 4: Old vs. new global ecommerce estimates
% change between current and prior estimates

Ecommerce forecast	% change vs. prior estimate				Avg. change
Developed Markets	**2013**	**2014E**	**2015E**	**2016E**	**'14-'16**
United States	0.9%	1.3%	2.3%	3.4%	2.3%
North America	0.7%	1.0%	2.1%	3.2%	2.1%
Western Europe	7.8%	9.1%	9.7%	11.1%	10.0%
South Korea	0.5%	0.4%	1.0%	1.2%	0.9%
Japan	0.0%	-6.0%	-3.7%	-1.6%	-3.7%
BRICs					
Brazil	-19.1%	-21.6%	-20.4%	-20.8%	-20.9%
Russia	12.0%	0.7%	1.9%	1.7%	1.4%
India	46.2%	33.3%	25.8%	22.6%	27.2%
China	9.0%	11.3%	13.7%	17.0%	14.0%
Rest of Emerging Markets					
Rest of Asia	25.5%	26.1%	28.3%	32.2%	28.8%
Rest of Latin America	16.8%	10.7%	9.0%	11.5%	10.4%
Eastern Europe	18.9%	20.5%	19.1%	18.9%	19.5%
Middle East & Africa	12.0%	12.5%	12.4%	12.5%	12.5%
Global	**4.9%**	**5.0%**	**6.2%**	**7.9%**	**6.4%**

Mobile commerce forecast	% change vs. prior estimate				Avg. change
	2013	**2014E**	**2015E**	**2016E**	**'14-'16**
United States	7.3%	6.2%	5.4%	4.8%	5.5%
Global	13.4%	12.0%	14.8%	18.4%	15.1%

Source: Euromonitor, Goldman Sachs Research estimates.

Growth in developed markets will largely benefit Amazon and eBay through their strong positions in these regions (Exhibit 4), and in China specifically, will benefit Alibaba Group (and by extension Yahoo!, which owns a 24% stake and Softbank which owns a 35% stake), which through its multiple properties including the Taobao Marketplace, Alipay, Tmall, and eTao, holds a dominant position in ecommerce in China (iResearch).

Other contributors to global ecommerce growth will include Japan, South Korea, Brazil and Russia, with the first two growing high-single digits to low-teens percent off of large bases (in the case of Japan, on a local currency basis), and the latter two growing teens to mid-twenties percent off of smaller bases. While some of these markets have entrenched players of scale like Rakuten and Buy-rated Yahoo Japan in Japan, we believe these countries represent strong opportunities for Amazon and eBay to take share. Finally, while there is no direct ecommerce exposure to the Russian market just yet, we note Yandex has begun to build a presence through Yandex.Market, a price-comparison service in Russia.

In South Korea eBay already holds a dominant position through its acquisition of Gmarket. At eBay's 2013 analyst day, it forecast that 25% of its users and 12% of its revenue would come from the BRICs and other emerging markets by 2015, with a particular focus on its opportunity in Russia, where GMV was $400 million in 2012 and users grew 75% yoy. Amazon generated 10% of its total sales in Japan in 2013, and is pushing deeper into Brazil through its Kindle franchise.

While India represents an enormous opportunity in terms of population, we do not believe it is a particularly promising market over the next five years for ecommerce due to factors such as low rates of Internet penetration, a low rate of credit card adoption, general distrust of buying over the internet, difficulties in raising capital for start-ups, fulfillment constraints around infrastructure, and a large reliance on cash-on-delivery. Amazon launched an online marketplace in India in June 2013, while eBay has invested in the Indian e-commerce marketplace Snapdeal.

Other developing regions, including the Middle East & Africa, and the non BRIC nations of Asia, LatAm, and Eastern Europe, should only represent about 5% of global ecommerce market in aggregate. However, a relatively lower focus from international majors in these countries is an opportunity for local investors. We believe these regions will grow at a mid-to-high teens average growth rates, and companies like Naspers and MercadoLibre are already building a sizeable presence through market share gains here.

Exhibit 5: Top web-only retailers by country
Ranked by 2013 gross merchandise value

Region Country	Americas U.S.	Europe France	Europe Germany	Europe Italy
1	Amazon.com Inc	Amazon.com Inc	Amazon.com Inc	eBay Inc
2	eBay Inc	eBay Inc	eBay Inc	Amazon.com Inc
3	Newegg.com Inc	Vente-privee.com SAS	Zalando GmBH (Kinnevik)	Privalia Venta Directa SL
4	Overstock.com Inc	Showroomprive SARL	Vente-privee.com SAS	Yoox Group
5	Kynetic LLC	Zalando GmBH (Kinnevik)	Rakuten Inc	Vente-privee.com SAS
Region Country	**Europe U.K.**	**Europe Russia**	**LatAm Brazil**	**APAC Australia**
1	Amazon.com Inc	Avito.ru (Kinnevik)	Mercado Libre	eBay Inc
2	eBay Inc	Yandex	B2W	Amazon.com Inc
3	Ocado Group Plc	Ulmart	Novapontocom	Auction Alliance Pty Ltd
4	Rakuten Inc (Play.com)	Citilink	Netshoes Comércio Ltda	Catch of The Day Pty Ltd
5	Asos Plc	eBay Inc	Dafiti (Kinnevik)	EziBuy Ltd
Region Country	**APAC China**	**APAC India**	**APAC Japan**	**APAC South Korea**
1	Alibaba Group	Flipkart Online Services Pvt Ltd	Rakuten Inc	eBay Inc (Gmarket)
2	JD.com	Myntra.com	Amazon.com Inc	InterPark Corp
3	Tencent QQ	Rocket Internet GmbH (Jabong.com, Kinnevik)	Yahoo! Japan Inc	Amazon.com Inc
4	Suning	Amazon.com Inc		
5	Amazon.com Inc	eBay Inc		

Source: Euromonitor, Goldman Sachs Research estimates. Note "(Kinnevik)" means Kinnevik owns the largest share of the given company.

Curated ecommerce gaining scale. We're seeing an evolution in ecommerce from multi-category ecommerce sites of scale that compete on price and delivery to vertically-focused, brand led curated marketplaces. Companies like Zulily, Asos, Yoox, and VIPshop, as well as private companies like Etsy, Zalando, and OneKingsLane, are enabling discovery for the fragmented supplier base of small vendors, and driving regular engagement and improved purchase frequency. Well-curated, entertainment-like experiences that leverage mobile are serving as a further catalyst for ecommerce as retailers seek to differentiate themselves from Amazon and eBay.

RetailMeNot, as an enabler of ecommerce, and increasingly foot traffic in store, through its coupon marketplace, is a curated site benefiting from growth in ecommerce but also retail marketer's increased savviness in connecting with consumers. The company's geo-fenced mobile platform provides real-time offers redeemable online and increasingly in-store, and data to retailers.

Exhibit 6: Goldman Sachs ecommerce ex-travel global sales forecast
$ in millions

											CAGR	
											3-Yr.	5-Yr.
Ecommerce Retail Value excl Sales Tax, US$ mn	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2013-2016	2013-2018
Developed Markets												
United States	$115,746	$133,557	$154,428	$179,137	$207,619	$241,076	$278,718	$319,917	$363,653	$409,610	15.5%	14.6%
% of North America	97.1%	97.0%	97.0%	97.1%	97.2%	97.2%	97.2%	97.2%	97.2%	97.2%		
North America	$119,220	$137,659	$159,169	$184,535	$213,695	$248,021	$286,747	$329,133	$374,129	$421,410	15.5%	14.5%
Western Europe	$100,347	$115,382	$141,243	$153,854	$177,099	$204,431	$233,943	$266,756	$303,102	$342,021	14.6%	14.1%
South Korea	$14,149	$18,754	$22,236	$24,381	$26,954	$30,248	$33,767	$37,106	$40,427	$43,691	11.2%	10.1%
Japan	$31,949	$38,132	$46,550	$51,449	$46,755	$48,857	$54,989	$61,566	$68,638	$75,951	9.6%	10.2%
BRICs												
Brazil	$5,890	$8,248	$10,223	$10,102	$10,793	$12,450	$14,815	$17,182	$19,776	$22,613	16.8%	15.9%
Russia	$4,947	$6,640	$9,125	$11,737	$14,839	$16,818	$21,209	$26,238	$32,092	$38,736	20.9%	21.2%
India	$1,581	$2,004	$2,533	$2,657	$2,979	$3,382	$3,878	$4,509	$5,214	$5,987	14.8%	15.0%
China	$6,607	$16,267	$40,007	$74,058	$106,154	$143,432	$180,542	$221,520	$265,846	$314,839	27.8%	24.3%
Rest of Emerging Markets												
Rest of Asia	$4,403	$5,971	$8,270	$9,630	$10,991	$12,561	$14,394	$16,555	$19,011	$21,752	14.6%	14.6%
Rest of Latin America	$3,636	$5,496	$7,364	$9,435	$12,144	$13,339	$15,083	$17,590	$20,682	$24,445	13.1%	15.0%
Eastern Europe	$6,398	$7,716	$9,485	$10,370	$12,368	$14,717	$17,299	$20,166	$23,236	$26,309	17.7%	16.3%
Middle East & Africa	$1,617	$1,993	$2,336	$2,749	$3,387	$4,076	$4,842	$5,691	$6,659	$7,749	18.9%	18.0%
Total	**$300,743**	**$364,262**	**$458,541**	**$544,957**	**$638,157**	**$752,332**	**$881,508**	**$1,024,013**	**$1,178,812**	**$1,345,504**	**17.1%**	**16.1%**

YoY Growth	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	
Developed Markets											
United States	4.9%	15.4%	15.6%	16.0%	15.9%	16.1%	15.6%	14.8%	13.7%	12.6%	
North America	4.7%	15.5%	15.6%	15.9%	15.8%	16.1%	15.6%	14.8%	13.7%	12.6%	
Western Europe	6.3%	15.0%	22.4%	8.9%	15.1%	15.4%	14.4%	14.0%	13.6%	12.8%	
South Korea	-4.4%	32.5%	18.6%	9.7%	10.5%	12.2%	11.6%	9.9%	9.0%	8.1%	
Japan	23.2%	19.4%	22.1%	10.5%	-9.1%	4.5%	12.6%	12.0%	11.5%	10.7%	* Related to deflation vs. USD
BRICs											
Brazil	5.0%	40.0%	23.9%	-1.2%	6.8%	15.4%	19.0%	16.0%	15.1%	14.3%	* Related to deflation vs. USD
Russia	-5.9%	34.2%	37.4%	28.6%	26.4%	13.3%	26.1%	23.7%	22.3%	20.7%	* Related to deflation vs. USD
India	7.8%	26.7%	26.4%	4.9%	12.1%	13.6%	14.7%	16.3%	15.6%	14.8%	* Related to deflation vs. USD
China	29.5%	146.2%	145.9%	85.1%	43.3%	35.1%	25.9%	22.7%	20.0%	18.4%	
Rest of Emerging Markets											
Rest of Asia	14.4%	35.6%	38.5%	16.5%	14.1%	14.3%	14.6%	15.0%	14.8%	14.4%	
Rest of Latin America	20.6%	51.1%	34.0%	28.1%	28.7%	9.8%	13.1%	16.6%	17.6%	18.2%	* Related to deflation vs. USD
Eastern Europe	-5.3%	20.6%	22.9%	9.3%	19.3%	19.0%	17.5%	16.6%	15.2%	13.2%	
Middle East & Africa	4.0%	23.2%	17.2%	17.7%	23.2%	20.3%	18.8%	17.5%	17.0%	16.4%	
Total	**6.8%**	**21.1%**	**25.9%**	**18.8%**	**17.1%**	**17.9%**	**17.2%**	**16.2%**	**15.1%**	**14.1%**	

Ecommerce as a % of Store-based Retail	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Developed Markets										
United States	5.1%	5.8%	6.5%	7.3%	8.3%	9.4%	10.5%	11.7%	12.9%	14.1%
North America	4.7%	5.2%	5.9%	6.7%	7.6%	8.6%	9.6%	10.6%	11.7%	12.8%
Western Europe	3.3%	3.8%	4.5%	5.2%	5.8%	6.6%	7.5%	8.4%	9.3%	10.3%
South Korea	11.7%	13.2%	14.0%	15.0%	16.1%	17.4%	18.9%	20.2%	21.4%	22.5%
Japan	3.1%	3.5%	3.9%	4.3%	4.7%	4.9%	5.5%	6.1%	6.7%	7.4%
BRICs										
Brazil	2.5%	2.7%	2.9%	3.1%	3.3%	3.7%	4.2%	4.5%	4.9%	5.4%
Russia	1.5%	1.7%	2.1%	2.5%	2.9%	3.1%	3.5%	3.9%	4.4%	4.8%
India	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.8%	0.8%	0.9%	1.0%
China	0.6%	1.3%	2.8%	4.6%	6.0%	7.2%	8.3%	9.3%	10.2%	11.0%
Rest of Emerging Markets										
Rest of Asia	0.7%	0.8%	1.0%	1.1%	1.2%	1.3%	1.4%	1.6%	1.7%	1.8%
Rest of Latin America	0.7%	0.9%	1.2%	1.4%	1.7%	1.8%	1.9%	2.2%	2.4%	2.8%
Eastern Europe	1.9%	2.4%	2.7%	3.1%	3.5%	3.9%	4.4%	4.9%	5.4%	5.9%
Middle East & Africa	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%	0.6%
Total	**2.8%**	**3.2%**	**3.7%**	**4.3%**	**4.9%**	**5.5%**	**6.2%**	**6.9%**	**7.5%**	**8.2%**

Ecommerce as a % of Nominal GDP	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Developed Markets										
United States	0.80%	0.89%	0.99%	1.10%	1.24%	1.37%	1.52%	1.67%	1.81%	1.96%
North America	0.76%	0.83%	0.92%	1.02%	1.14%	1.29%	1.43%	1.57%	1.71%	1.85%
Western Europe	0.62%	0.70%	0.81%	0.92%	0.99%	1.09%	1.25%	1.48%	1.69%	1.91%
South Korea	1.70%	1.85%	1.99%	2.16%	2.23%	2.34%	2.53%	2.74%	2.86%	3.00%
Japan	0.64%	0.71%	0.80%	0.86%	1.01%	1.05%	1.23%	1.45%	1.59%	1.72%
BRICs										
Brazil	0.36%	0.38%	0.42%	0.46%	0.49%	0.58%	0.68%	0.79%	0.89%	1.00%
Russia	0.40%	0.42%	0.51%	0.60%	0.71%	0.78%	0.90%	1.10%	1.39%	1.71%
India	0.13%	0.12%	0.14%	0.15%	0.16%	0.18%	0.18%	0.20%	0.21%	0.22%
China	0.12%	0.25%	0.50%	0.83%	1.08%	1.31%	1.48%	1.67%	1.83%	1.99%
Rest of Emerging Markets										
Rest of Asia	0.33%	0.35%	0.42%	0.46%	0.51%	0.57%	0.57%	0.60%	0.63%	0.67%
Rest of Latin America	0.18%	0.24%	0.27%	0.33%	0.41%	0.47%	0.52%	0.59%	0.67%	0.76%
Eastern Europe	0.84%	0.96%	1.09%	1.28%	1.38%	1.59%	1.82%	2.10%	2.38%	2.66%
Middle East & Africa	0.04%	0.05%	0.05%	0.06%	0.07%	0.08%	0.10%	0.11%	0.12%	0.12%
Total	0.54%	0.60%	0.69%	0.81%	0.92%	1.04%	1.18%	1.33%	1.47%	1.61%

Source: Euromonitor, Goldman Sachs Research estimates.

Country/Region specific forecasts and highlights

China: E-tailing competition to deepen in 2014; the top "1+3" oligopoly

We believe China's overall online retailing competitive landscape is stable, and we view the top 1 (Ali-group) + the next 3 (JD, Tencent and Suning) players as comprising an oligopoly. Competition is becoming more comprehensive, with main platforms actively extending to offline and derived businesses. Many major e-tailing platforms view O2O (online to offline or vice versa) as a key strategy in 2014, and consider mobile internet and online payments also as important battle fields. JD.com, China's 2nd largest online platform has just filed to raise $1.5 billion in its IPO in the US with 9M13 result showing modest positive profit. The largest player Alibaba Group is also expected to file for listing this year. These events will provide more transparent and handy opportunities for investors to participate in China's booming e-tailing market. In the near term, we believe the key indicators to watch include each platforms' logistics ability, progress of O2O strategy, ability to leverage mobile internet and their contribution to traffic and sales growth.

Exhibit 7: Chinese ecommerce market share data

Market share

B2C market share	2011	2012	2012Q1	2012Q2	2012Q3	2013Q1	2013Q2	2013Q3
Tmall	51.0%	56.7%	51.5%	57.1%	54.6%	51.3%	50.8%	51.1%
JD.com	17.1%	19.6%	22.7%	20.1%	21.8%	17.5%	17.1%	17.5%
Tecent ecommerce	2.9%	4.7%	3.2%	4.0%	4.5%	6.8%	5.6%	6.0%
Suning.com	3.3%	5.5%	3.1%	3.8%	4.2%	4.5%	5.0%	4.4%
Amazon	3.3%	2.7%	3.5%	2.7%	2.9%	1.9%	2.2%	2.6%
Vipshop	-	1.4%	-	0.9%	0.9%	1.9%	2.0%	2.0%
Dangdang	2.0%	1.9%	1.8%	1.3%	1.3%	2.6%	1.8%	2.0%
Gome (incl Coo8)	1.2%	1.4%	1.2%	1.9%	2.1%	2.1%	1.9%	1.8%
Yihaodian	-	1.2%	-	-	1.2%	1.7%	1.4%	1.7%
Vancl	1.9%	1.2%	1.3%	2.0%	1.8%	0.9%	0.7%	0.7%
Others	13.6%	3.7%	9.4%	5.5%	4.0%	8.9%	11.6%	10.3%

Self-operated B2C Market share	2011	2012	2012Q1	2012Q2	2012Q3	2013Q1	2013Q2	2013Q3
JD.com	37.2%	49.0%	50.1%	50.2%	51.1%	43.4%	43.9%	45.0%
Suning.com	7.1%	13.6%	6.8%	9.4%	9.9%	11.2%	12.9%	11.3%
Amazon	7.2%	6.8%	7.8%	6.7%	6.7%	4.7%	5.5%	6.6%
Yixun.com (Tecent)	2.9%	3.7%	3.4%	3.1%	3.9%	5.4%	5.4%	5.9%
Dangdang	4.3%	4.8%	3.9%	3.3%	3.0%	6.5%	4.6%	5.0%
Vipshop		3.5%		2.2%	2.2%	4.7%	5.1%	5.2%
Yihaodian	3.3%	2.9%			2.8%	4.2%	3.6%	4.2%
Coo8 (Gome)	2.5%	3.6%	2.7%	4.7%	5.0%	3.8%	3.9%	4.0%
New egg	1.8%		1.7%	1.7%	1.9%			
Vancl	4.2%	2.9%	2.8%	5.0%	4.2%	2.3%	1.9%	1.8%
Others	29.5%	9.2%	20.8%	13.7%	9.3%	13.7%	13.2%	11.1%

Share	2011	2012	2012Q1	2012Q2	2012Q3	2013Q1	2013Q2	2013Q3
B2C	23.5%	29.7%	27.2%	33.3%	35.6%	34.1%	36.1%	36.6%
C2C	76.5%	70.3%	72.8%	66.7%	64.4%	65.9%	63.9%	63.4%
Total GMV	7846.5	13040.0	2578.4	3009.2	3193.4	3520.8	4371.3	4547.6

Source: iResearch

Note: Coo8 and Gome online merged and were unified under the Gome online brand in 4Q13.

Exhibit 8: Chinese ecommerce landscape

	Taobao	Tmall	JD	Tencent (incl.Yixun)	Suning	Amazon.cn	Yihaodian	VIPshop	Dangdang	Gome
2012GMV (Rmb100mn)	8217	2194	733	182	213	104	72	54	74	54
Daily UV (10k)	Over 10000	4000－4500	1500	NA	600	NA	NA	500	NA	300-400
Core product category	Apparel, appliances and long-tail products	Apparel, appliances	3C and digitals	3C and digitals	Appliances	Books	FMCG	Apparel	Books	Appliances
Self-operated / platform	Platform	Platform	Self-operated +platform	Self-operated +platform	Self-operated +platform	Self-operated +platform	Self-operated +platform	Self-operated +platform	Self-operated +platform	Self-operated +platform
Platform founded on	2003	2009	2010	2011	2013.9	NA	NA	2013.4	2009	2011
Merchants on platform	9mn (3mn are active)	Over 70k	23.5k	7k	5-6k	NA	14k	Hundreds	NA	NA
2013E GMV (Rmb100mn)	c.11000	c.3400	c.1000	c.400	c.300	c.150	c.115	over 100	c.100	c.60
2013E platform sales contribution	100%	100%	20%	30%	< 5%	NA	25%－30%	< 5%	over 35%	< 10%
Platform profitability model	Advertising, no commission	3-5% commission rate + promotion service and ads	3-5% commission rate + promotion service and ads	3-5% commission rate + promotion service and ads	Marketing and promotion fee, no commission	NA	5% commission rate	10% commission rate	8% commission rate	NA
Self operated logistics and delivery?	No	No	Self-operated business: Yes; platform: mostly by 3rd party	Self-operated business: Yes; platform: 3rd party	Self-operated business: Yes; platform: 3rd party	Self-operated business: Yes; platform: 3rd party	Self-operated business: Yes; platform: 3rd party	Self-operated business: Yes; platform: 3rd party	Own + 3rd party	Own + 3rd party
# of cities covered by own logistics		0	1250	40	1500	1200	40			
Free delivery threshold		NA	39	29	0	29	100/299			
Cities covered by same day delivery		10	31	12	100					
Cities covered by 2nd day delivery		58	206	20	300		40			
Number of delivery staff			18005	3000	7000					
Number of storage centers (incl. offline stores' storages		NA	6 regional centers, 82 city centers	18	16 regional centers, 42 city centers, 300 interchange centers	15	6	4	17	125 city centers and interchange centers
Storage area (10k sqm)		NA	130	42.7	over 100	80	30	30	42	67
Mobile devices sales contribution		more than 10%	14%		5%－10%			14%		
With offline stores	No	No	No	No	Yes	No	No	No	No	Yes
IT strength	Very strong	Very strong	strong	Very strong	Medium	Very strong	Very strong	strong	Medium	Medium
Core competence	Traffic, Ali-group ecosystem	Traffic, Ali-group ecosystem	Consumer experience	Supported by Tencent group	Major appliance supply chain	IT and book supply chain	IT and FMCG supply chain	Business model	Book supply chain	Major appliance supply chain
Potential risks to watch	Uncertainty on logistics and mobile portal; merchants pressure from increasing cost to acquire traffic	Uncertainty on logistics and mobile portal; merchants pressure from increasing cost to acquire traffic	CAPEX and cash flow pressure, uncertainty on mobile portal	Synergy with Tencent group	Layout of internet retailing may be too grand	Localization	The degree Wal-mart supply chain supports	Uncertain market environment	Fierce competition	Limited investment

*Source: Company data, iResearch, Gao Hua Securities Research. * Note: GMV here refers to order size, including virtual and actual products VAT. This number differs from the final total payment and actual sales (which excludes product returns).*

Japan

We think 2014 could mark an inflection point for the Japanese ecommerce market as we transition from a period when only selected merchants sold product to selected customers (only 40,000 merchants sell products to 14% of the domestic internet users on Rakuten, the #1 ecommerce platform in Japan) to a period when merchants of all sizes will sell their products to a wider range of customers.

We believe Yahoo Japan is well positioned to benefit here with their new free-to-charge strategy the major focus. We believe Yahoo Japan will benefit by, (1) introducing an easy selling/package/delivery platform for beginners, (2) gathering major brand merchants and retailers onto the Yahoo! Shopping site, (3) encouraging manufacturers to sell products directly to customers on their LOHACO platform. 2012-2013 showed strong growth thanks to the increase of mobile commerce (currently accounts for around 30% of total transaction) but we expect a high rate of growth to continue as Yahoo Japan expands into new product categories and benefits from increased mobile commerce.

Latin America

Global players, such as EBAY and AMZN, have to date shown limited attention to Latin America, creating an opportunity for local companies. According to Euromonitor, AMZN has a strong market position in Venezuela and Peru, with a share of 45% and 25% respectively, but in all other markets, AMZN's share is at or below 5% of total e-commerce value. In Brazil, AMZN has a partnership with the third-largest e-commerce company, Nova Pontocom (controlled by PCAR4.SA, Neutral), to distribute its Kindle, while its own site only offers digital content, for now.

MELI is the largest e-commerce company in Latin America, based on gross merchandise volume of US$7.0 bn per year. It has a strong presence in the region with market share in the 20s in Brazil (23%), Argentina (24.4%) and Venezuela (20.7%), and a 12.9% share in Mexico. The large countries in which it has a relatively small presence are Colombia and Chile.

B2W (BTOW3.SA, Neutral) is the leader in online retailing in Brazil, and with an ecommerce market share of 21% it is close on the heels of marketplace MELI. Both B2W and Nova Pontocom have recently launched marketplace operations, in an attempt to accelerate scaling of their physical distribution platform. B2W’s recently announced R$2.4bn (c.US$1bn) capital increase should strengthen the company’s balance sheet and allow it to accelerate growth, while maintaining its ambitious plans to invest in regional distribution centers.

E-commerce has been growing in the teens across the region in the last three years and we expect this trend to continue. We forecast e-commerce revenue to grow at a 2013-16 CAGR of 14.9% in Latin America on a USD basis, slightly below the 2010-13 CAGR of 18.6%, which we believe mainly reflects the higher base. Across the region, store-based retailers have heavily invested in omni-channel strategies: Chilean retailing conglomerate Falabella is the market leader in Chile (c.20% share), Wal-Mart de Mexico is investing in Mexico and Exito recently launched cdiscount.com.co in a joint venture with its controlling shareholder Casino (CASP.PA, Neutral).

Russia

The Russian ecommerce market grew 26.4% in 2013. While the currency weakness worked against the market (Ruble depreciated 3% in 2013) it was more than offset by a consumer shift to online purchases on the back of efforts from both international and Russian ecommerce properties.

Key Russian internet properties continued their steady development in 2013. Following the merger with **Naspers** properties in early 2013, Avito kept cementing its leadership in classified ecommerce. **Yandex.Market** launched the first phase of its’ platform reshuffle and introduced a CPA monetization mechanism and will likely continue with further rollout (expansion of number of merchants, integration of payment and logistics solutions) throughout 2014. B2C category leaders (e.g. Ulmart and Svyaznoy in consumer electronics, Lamoda, Wildberries and KupiVIP in Fashion and Apparel) continued their rapid business expansion. Ozon, one of the leading properties in general B2C, is finalizing its’ financing round which should help the property maintain business growth in 2014. We note **Kinnevik** is the largest owner of both Avito and Lamodo.

2013 saw impressive growth of global ecommerce properties building presence in Russia. eBay had US$400mn GMV in 2012 in Russian cross-border delivery, and we estimate this number could be twice as high in 2013. PayPal was launched in 2013 locally, and eBay may open a platform for domestic merchants leveraging its’ logistics capabilities benefiting from fragmentation of the ecommerce landscape. In 2013, AliExpress made visible progress in Russia as well: by some estimates, it has outpaced several leading Russian domestic ecommerce properties by traffic and GMV.

In the beginning of 2014, the Russian Customs Service started tightening Custom clearance rules (limitation of maximum value of parcel at €150, additional document requirements). Although some of initially imposed restrictions were softened, the steps highlight a growing concern of the Government with the size of cross-border tax-free import. On the other hand, Russian Post had a management change in 1H13 and the new team is highly focused at resolving logistics bottlenecks (capacity upgrade, faster parcels processing) which should help overall ecommerce development in the medium term.

Western Europe

Western Europe continues to demonstrate solid development of e-commerce in most major retailing sectors. However, the penetration of the e-commerce channel varies significantly across the continent with larger Northern European countries like the UK and Germany significantly higher than the major southern European countries of Italy and Spain.

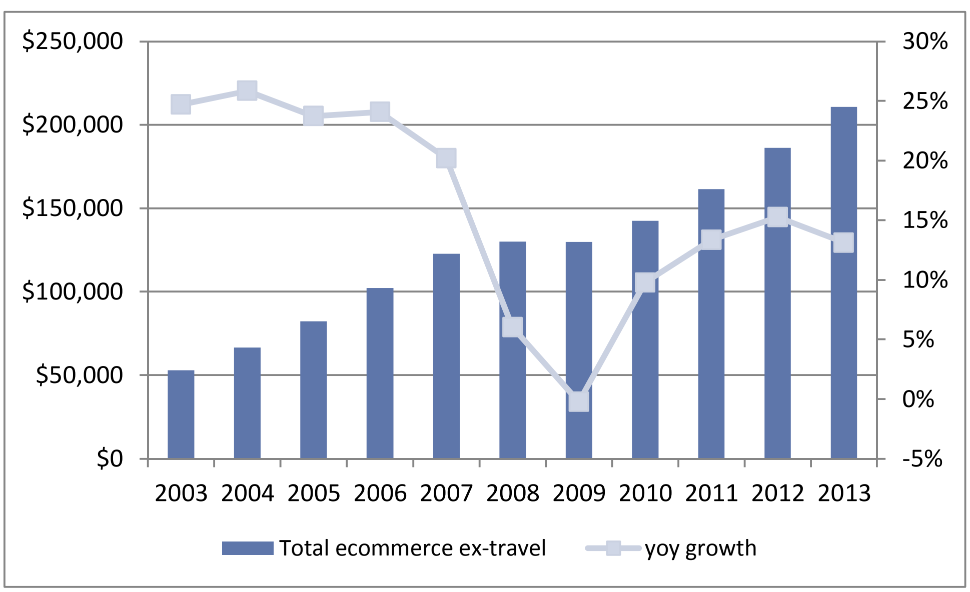
In Grocery, the UK has seen the highest level of penetration at over 6% compared to the rest of Europe average of below 1%. Whilst grocery has one of the lowest penetrations overall, the UK has developed more quickly as 3 of the 4 major grocery players have developed online delivery offerings and **Ocado** has developed a strong online-delivery proposition.

In Apparel, we believe that online clothing in Europe will reach about 25% of the total clothing market by 2030. By this time we expect the UK and Germany to have highest penetration at 35% and Southern Europe to be 15%. Currently we estimate European online clothing penetration to be about 7%. We believe ASOS and **Kinnevik** are best placed to benefit from this trend in Europe.

Comscore shows continued acceleration in ecommerce share gains

U.S. ecommerce sales (ex-travel) grew 13% in 2013 according to comscore (which does not include mobile commerce), representing some deceleration versus 15% growth in 2012. 2013 represents the first year where ecommerce growth has not accelerated since the recession (Exhibit 9). We believe this was likely driven by a confluence of factors including a condensed U.S. holiday season, a U.S. payroll tax, and 16-day government shutdown.

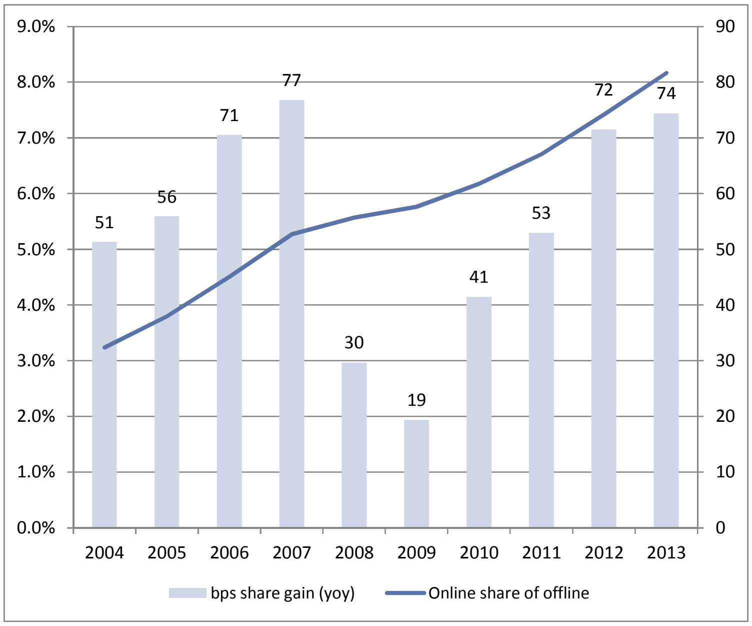
Exhibit 9: US ecommerce sales ex-travel and yoy growth (excludes mobile commerce)
$ in millions



Source: ComScore eCommerce Brief.

However ecommerce momentum remains robust as evidence by share gains. The pace of ecommerce share gains (in basis points) versus traditional store-based retail in the U.S. doubled in 2010 versus 2009, and doubled again in 2012 from 2010 (Exhibit 10). While the rate of share gains in 2013 only increased slightly (to 74bps from 72bps in 2012), we note that it still represented acceleration versus traditional retail while 2012 & '13 marked the two fastest years of share shift since 2006 & '07.

Exhibit 10: US ecommerce sales ex-travel vs. offline sales equivalent category



Source: comScore eCommerce Brief, US Department of Commerce

Mcommerce led share gains particularly evident during the holidays

Mobile commerce's impact as a major driver of incremental ecommerce was particularly evident during the 2013 holiday period. More than half of Amazon's consumers shopped with a mobile device, PayPal (eBay) saw 115%+ growth in total payment volume on Thanksgiving and Black Friday, and Groupon saw a 30% lift in bookings over the four-day holiday weekend driven by 55% of N.A. transactions completed on a mobile device.

We believe mobile will continue to be a key catalyst of ecommerce acceleration as mobile users increasingly compare prices with online retailers on their mobile device while in store, and transact with greater frequency on their smartphones and tablets. Smartphones and tablets are extending shopping hours and increasing average order values as consumers are growing more comfortable shopping on these devices.

eMarketer estimates that Mcommerce represented $42 billion of total retail sales in 2013, or 20% of total US ecommerce sales (Exhibit 11). We project Mcommerce will more than triple by 2018, and represent $131 billion, or 32% of ecommerce sales in the US. This trend should be driven more so by the growth in tablets, as we believe the experience is akin to a PC while affording the portability closer to that of a smartphone.

Exhibit 11: Goldman Sachs' US mobile commerce forecast, 2012-2018
$ in billions, except per buyer figures

U.S. mobile commerce ex-travel forecast - 2012-2018E	2012	2013	2014E	2015E	2016E	2017E	2018E
U.S. forecast							
E-commerce	**$179**	**$208**	**$241**	**$279**	**$320**	**$364**	**$410**
Y/Y % growth	16.0%	15.9%	16.1%	15.6%	14.8%	13.7%	12.6%
Mobile device forecast							
Smartphone units	127	145	161	171	180	187	192
Tablet units	25	21	25	30	36	41	47
Total M-commerce enabled units	**152**	**167**	**186**	**201**	**215**	**228**	**240**
M-commerce buyers	57	80	99	115	129	141	152
Y/Y % growth		39%	24%	16%	12%	9%	8%
M-commerce buyers % of devices	37.5%	47.7%	53.0%	57.2%	60.0%	61.8%	63.4%
M-commerce forecast							
M-commerce from Smartphones	$11	$16	$19	$24	$29	$32	$36
Y/Y % growth		43%	25%	24%	20%	13%	12%
M-commerce from Tablets	$14	$26	$37	$51	$68	$81	$95
Y/Y % growth		88%	43%	37%	34%	19%	17%
U.S. M-commerce	**$25**	**$42**	**$57**	**$75**	**$97**	**$114**	**$131**
Y/Y % growth		68.2%	36.1%	32.2%	29.1%	17.3%	15.6%
% e-commerce sales	13.8%	20.1%	23.5%	26.9%	30.3%	31.2%	32.0%
M-commerce per buyer	$435	$524	$574	$652	$750	$806	$863
Y/Y % growth		21%	9%	14%	15%	7%	7%

Source: Euromonitor, eMarketer, Goldman Sachs Research estimates.

On a global basis we estimate Mcommerce reached $133 billion in sales in 2013, and this number will reach $626 billion by 2018 (Exhibit 12). We note that Mcommerce buyer penetration of mobile-enabled devices will be lower outside of the US (we forecast three fourths the rate of penetration) as a result of lower credit card adoption and more concerns around security associated with online buying. Also, we believe Mcommerce per buyer will also be lower than in the US (we forecast two thirds the rate) as a result of lower average income, less comfort with online buying, and a lower availability of online goods to choose from.

In Latin America, M-commerce is still in the early stages of development, but it already accounts for 7% to 10% of company's transactions. Technology infrastructure is improving in Latin America and the increase in broadband penetration is likely to continue as telecom players have been growing their business mainly through broadband (fixed and mobile). We believe given the demographics in the region, the growth in broadband will be mainly driven by mobile devices going forward. The increase in smartphone penetration and the expected 4G network rollout, combined with ongoing investments in fixed broadband, should help to drive customers to migrate their purchases to on-line.

Exhibit 12: Goldman Sachs' global mobile commerce forecast, 2012-2018E
$ in billions, except per buyer figures

Global mobile commerce ex-travel forecast - 2011-2018E	2012	2013	2014E	2015E	2016E	2017E	2018E
Global forecast							
E-commerce	**$545**	**$638**	**$752**	**$882**	**$1,024**	**$1,179**	**$1,346**
Y/Y % growth	18.8%	17.1%	17.9%	17.2%	16.2%	15.1%	14.1%
Mobile device forecast							
Smartphone units	680	987	1,252	1,488	1,711	1,917	2,108
Tablet units	67	73	92	113	134	157	181
Total M-commerce enabled units	**747**	**1,060**	**1,344**	**1,601**	**1,846**	**2,074**	**2,289**
M-commerce buyers	210	379	535	686	830	961	1,089
Y/Y % growth		80%	41%	28%	21%	16%	13%
M-commerce buyers % of devices	28.2%	35.8%	39.8%	42.9%	45.0%	46.3%	47.6%
M-commerce forecast							
M-commerce from Smartphones	$27	$50	$70	$95	$123	$147	$173
Y/Y % growth		85%	41%	36%	29%	20%	18%
M-commerce from Tablets	$34	$83	$134	$203	$292	$369	$453
Y/Y % growth		143%	62%	51%	44%	26%	23%
Global M-commerce	**$61**	**$133**	**$204**	**$298**	**$415**	**$516**	**$626**
Y/Y % growth		117.3%	54.3%	45.9%	39.1%	24.4%	21.3%
% e-commerce sales	11.2%	20.8%	27.2%	33.9%	40.5%	43.8%	46.6%
M-commerce per buyer	$290	$350	$382	$435	$500	$537	$575
Y/Y % growth		21%	9%	14%	15%	7%	7%

Source: Euromonitor, eMarketer, Goldman Sachs Research estimates.

Disclosure Appendix

Reg AC

I, Heath P. Terry, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Latin America-Technology: MercadoLibre, Inc..

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