

# Europe eCommerce:

B2B & B2C

*Executive Summary*



## Introduction

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eMarketer's May 2002 *Europe eCommerce Report*,<sup>TM</sup> a companion to the May 2002 *Europe Online: Access, Demographics and Usage Report*,<sup>TM</sup> provides readers with a comprehensive overview of online retailing and e-business in Europe, with a focus on the 12 countries eMarketer considers "core" to the region's internet markets. Whereas previous reports on Europe have included coverage of both internet usage *and* e-commerce, eMarketer feels that the market has developed to the point that each warrant separate, stand-alone reports. Readers should consult both reports to get the most complete picture of the internet and e-business in Europe.

E-commerce in both the business and consumer segments has continued to advance in Europe despite the less-than-positive economic climate that prevailed across the region in the latter part of 2001 and the early months of 2002. Positive figures from the 2001 holiday shopping season attest to the fact that online retailing remains alive and well in Europe. Likewise, European businesses continue to invest in internet-enabled solutions in an effort to further automate and streamline their internal and external operations. Moreover, despite the common perception that European businesses lag behind their North American counterparts in terms of technology adoption, several studies cited in the report have found that European companies are in fact closing the technology gap with the United States.

Drawing upon aggregated survey data, the report reveals that as with internet usage, a digital e-commerce divide continues to exist between the more developed countries of Western Europe and the emerging economies of Eastern Europe, borne out by the level of both technology investment and e-commerce spending by consumers and businesses. Europe's increasing economic unification is likely to facilitate cross-border e-commerce transactions for business and consumers, particularly those in the Euro-zone.

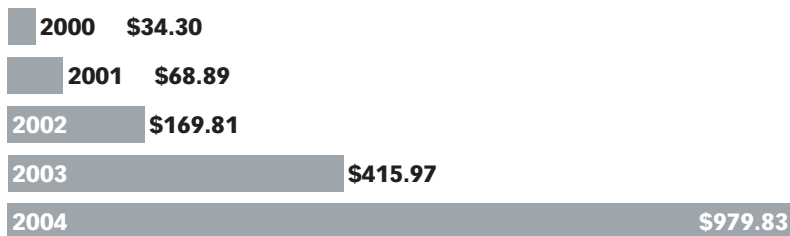
In addition to eMarketer's forecast for B2B, B2C and total e-commerce revenues in Europe, the *Europe eCommerce Report*<sup>TM</sup> includes comparative estimates from leading research firms and government and international statistical agencies as well as key survey data on trends in e-business investment, the prospects for online marketplaces, a demographic breakdown of the region's online shoppers and details on their favorite purchases.

## Key Findings

### Continued Growth in E-Commerce Revenues

eMarketer reaffirms its projection that pan-European e-commerce revenues will increase from \$169.81 billion by the end of this year to nearly \$1 trillion by year-end 2004. Ongoing investment in the region's information and communication technology infrastructure in spite of economic distress and a growing internet user population constitute positive signs for Europe's consumer and business-to-business (B2B) e-markets.

#### E-Commerce Revenues in Europe, 2000-2004 (in billions)



Source: eMarketer, 2001

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### E-Business Readiness of European Companies on the Rise

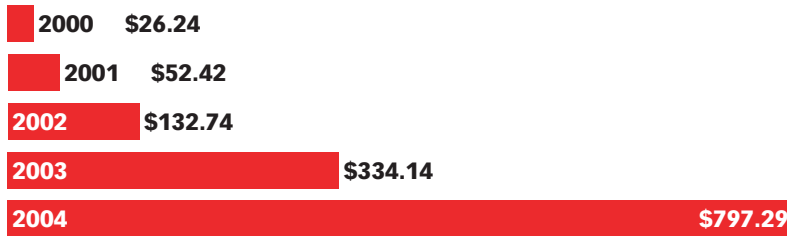
European firms surprised many industry observers in 2001 with what has been described as their unexpected embrace of e-business technologies. Large enterprises in the United Kingdom, Germany, Benelux and Scandinavia have reportedly led the way, as they have been best prepared to build upon previous technology investments and begin to develop external, internet-based connections with their trading partners.

Not surprisingly, e-business projects in Europe tend to first be developed within national borders, and then gradually rolled out to large enterprises' key trading partners in other parts of the continent. However, e-commerce readiness is not always tied to national markets, as the development of e-business initiatives often depends upon the relative preparedness of individual industries.

The Swedish Trade Council, for example, lists the IT, telecommunications, and chemicals industries as being better-equipped to participate in cross-border e-commerce ventures than their counterparts in the restaurant or construction industries. On the other hand, this has not stopped localized e-business exchanges from being developed, and often meeting with some degree of success. Indeed, Europe may lead North America when it comes to the development of local e-commerce exchanges that must also integrate with larger, regional exchanges.

In light of the above and other signs of European strength, eMarketer continues to forecast that business-to-business e-commerce will reach an estimated \$797.3 billion in Europe by 2004. Germany will account for the largest portion of online trade, at \$230.7 billion in 2004, followed by the United Kingdom at \$214.0 billion.

**B2B E-Commerce Revenues in Europe, 2000-2004 (in billions)**



Source: eMarketer, 2001

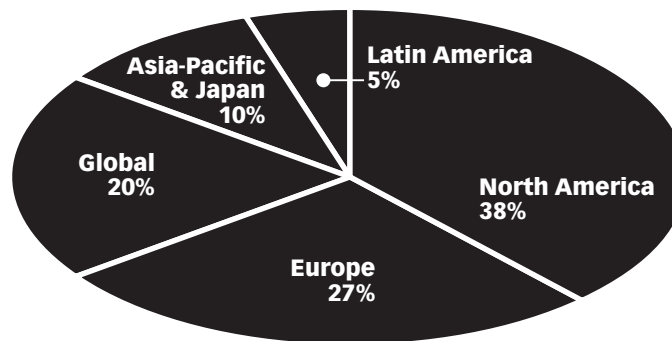
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**Enthusiasm for Online Marketplaces Predominates**

Broken down by geography, Europe has the second highest percentage of regional marketplaces, according to a study carried out by the Giga Information Group and Booz Allen Hamilton. The study identified 485 online exchanges (out of a total of 1,802) that had a user base primarily within the European market, whereas North America was home to 684 exchanges.

**Breakdown of Public Exchanges, by Primary Geographic Region Served, 2001**



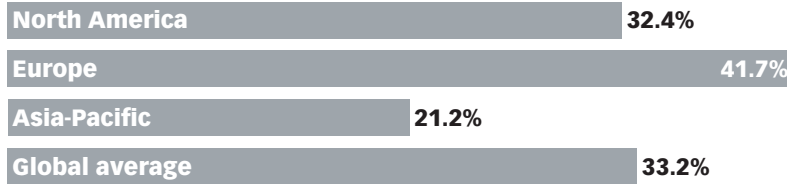
Source: Booz Allen Hamilton, Giga Information Group, 2001

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Compared to companies in other world regions, businesses in Europe are the most enthusiastic about internet-based trading exchanges. A significant 22.3% of IT professionals polled in a survey by the Computer Sciences Corporation said that their company was in the midst of implementing some kind of exchange technology, versus just 6.7% of businesses in North America and 12.6% worldwide.

**Percent of Leading Global Companies Participating in Online Exchanges, by Region, 2001**



Source: Computer Sciences Corporation, 2001

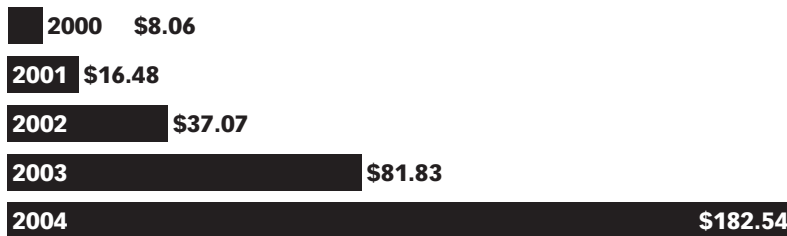
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**Retail Spending Increasing, But Frequency of Purchases Remains Low**

Despite expectations of slow GDP growth in Europe in the coming year, eMarketer anticipates continued expansion of B2C e-commerce revenues. As the following chart illustrates, B2C e-commerce will reach \$37.07 billion by the end of 2002, and will grow to \$182.5 billion by 2004. eMarketer’s forecast assumes that the continued diffusion of broadband, interactive TV (iTV) and mobile internet applications will lead to an evolution in European consumer habits and concomitant growth in B2C spending. Projecting to 2004, eMarketer expects that the compound annual growth rate (CAGR) for B2C e-commerce revenues will be 118%. By comparison, the CAGR for retail e-commerce in the US over the same period will be approximately 31%.

**B2C E-Commerce Revenues in Europe, 2000-2004 (in billions)**



Source: eMarketer, 2001

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European e-commerce continues to grow as a result of several important trends:

- Continued growth in the internet user population, which contributes to the expansion in the number of potential internet buyers
- Consumers now have several years of experience with e-commerce, encouraging veteran internet users who are comfortable navigating the internet to shop and purchase online
- Consolidation in the dot-com sector, resulting in a smaller number of dominant retailers and portals, limiting competition but enabling higher quality sites, more effective marketing, and increasingly better customer service
- Easier cross-border trading, which is likely to facilitate e-commerce purchases for consumers, particularly those in the Euro-zone

At present, however, only a small percentage of EU internet users are actually frequent purchasers of goods or services online. Moreover, this percentage changed very little—only one percentage point—between June 2001 and November 2001. Only 19% of internet users consider themselves either occasional or frequent online buyers.

### Teen Market Is Promising

The teen market is a particularly important source of online consumers in Europe. Internet users in Europe tend to be younger than the average population, and teens are generally more open to new methods of commerce. Teen online spending is expected to increase dramatically as new payment products are developed and the B2C market grows. According to Datamonitor, while the growth rate in teen online spending in the US is expected to be 63.3% compounded annually between 2001 and 2005, the rate for Europe is expected to be 94.3%. A survey of teenage online spending across seven European Union countries and the US by Datamonitor found that teenagers spent \$483 million in 2001—a figure forecast to increase to \$10.6 billion by 2005.

### Teenage Online Spending in the European Union, 2001 & 2005 (in millions)

2001	\$483
2005	\$10,600

Source: Datamonitor, 2001

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## M-Commerce: Not Yet

Mobile commerce (m-commerce) remains an elusive goal of internet marketers in Europe. The International Data Corporation (IDC) estimates that 23 million people in Western Europe will be using their mobile phone to buy travel products and services by 2005. IDC also predicts that 49 million Western Europeans will use their mobile phones to buy tickets for public transportation by 2005. In terms of revenues, GartnerG2 estimates that by 2005, m-commerce sales in France, Germany and the UK will add up to approximately \$14 billion.

Consumer attitudes will have to go through a sea change if internet retailers hope to realize these mobile commerce revenue estimates. Boston Consulting Group (BCG) found that during 2000, one-third of early users in Europe abandoned m-commerce after only a few tries. And a survey by A. T. Kearney found that the number of mobile users who said they intended to use their phones for m-commerce fell from 32% in June 2000 to 4% in June 2001, declining still further to 1% as of January 2002.

### Intent to Use Mobile Phone for Online Purchasing among Internet-Enabled Phone (IEP) Users Worldwide, January 2002 (as a % of respondents)

Japan	7%
Europe	1%
Rest of Asia*	1%
US	1%
Worldwide	1%

Note: n=5,600 mobile phone users; \*includes China, Hong Kong, Korea, Taiwan, Singapore and Australia  
 Source: A. T. Kearney, February 2002

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One of the great uncertainties in the online retail sector is the type of content consumers are willing to buy, and how much they are willing to pay for information. This issue is particularly important in the European market, since internet service providers and mobile phone operators have been anticipating large revenue streams for mobile commerce, in part composed of fees for content delivered to the consumer's handset. However, a recent study of internet payment habits in Europe casts doubts on just how much Europeans will pay for content. According to a survey of European internet users conducted by Jupiter MMXI, 47% of respondents would not consider paying for internet content *at all*.

## eMarketer Methodology

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The methodology for all of our statistical reports is founded on a simple philosophy of aggregation:

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**The key to approaching quantitative truth on the internet is to consider data from as many reputable sources as possible. No one has all the answers. But taken together, multiple sources, coupled with healthy doses of common sense and business intelligence, create a reasonably accurate picture.**

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Unlike other research organizations, eMarketer does not conduct primary research. eMarketer has no testing technique to protect, no research bias and no clients to please.

The eMarketer research team first aggregates data from hundreds of published, publicly available sources; we then filter, synthesize and organize the information into easy-to-read tables, charts and graphs. For each topic, we provide comparative source data along with our own analyses, estimates and projections. As a result, each set of findings reflects the collected wisdom of numerous research firms and industry analysts.

## Europe eCommerce: B2B & B2C

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