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*Management Summary*

# E-Commerce-Report Switzerland 2015

## Swiss online trading from the merchant's point of view

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# Management Summary of the E-Commerce-Report Switzerland 2015

The 2015 E-Commerce Report is the result of the seventh comprehensive survey involving 38 potentially dominant players in the e-commerce market that are headquartered in Switzerland. We define dominant market players as those that satisfy one of the three following criteria: they have an excellent track record over many years of using e-commerce in their sector, they are a dominant commercial enterprise in their sector with several distribution channels and are heavily engaged in e-commerce, or they are outstanding due to their own innovations or introducing to Switzerland new business models developed abroad. In the context of ticketing, two enabling service providers were included on a one-off basis because the solutions they offer enabled other enterprises to participate successfully in e-commerce. A face-to-face interview was conducted with two thirds of those participating in the survey; the others responded in writing. The results of this survey were predominantly derived and summarized from the information provided by the experts.

**Gradual shift of sales to online:** A slowdown, but certainly not a turning point. Online trade in goods grew by around 10% year-on-year in 2014, with foreign suppliers increasing their market share. For the current year 2015, more than 90% of survey participants again anticipate growth of e-commerce in their sector, resulting in a sustained shift to online trading. On a five-year view, all respondents are expecting growth; 40% of them expect sales to grow by 50% or more relative to 2015. Vendors regard growth as the most attractive aspect of the e-commerce market. The expectation is that mobile devices could again boost growth once checkout processes using smart-phones are simple, quick and secure. Swiss vendors are grappling with falling prices and increasingly fierce competition from foreign vendors in some sectors.

**Systems competition:** Some extremely efficient online suppliers have already succeeded in establishing a strong market presence in Switzerland. In view of the continuing increase in competition, they are raising their game by further investment to expand their range, improve their services and increase internal efficiency. The resultant degree of sophistication constantly erodes the relative advantage derived from internal efficiencies. There is now an increasing emphasis on improvements at higher hierarchical levels as the next stage of development, both internally and externally.

It is becoming evident that organisations differ in how effectively they can respond to the issue of digital transformation. Have companies like Migros or Tamedia already exhausted the potential of their bought-in online competence? Are established business ecosystems in danger of fossilization? That would be dangerous, because e-commerce is becoming a competition of value added systems.

Figure 1 summarises the most important aspects of the e-commerce situation in Switzerland in 2015.

**Foreign suppliers still in the ascendant**

«Switzerland opens the floodgates for German online commerce» was the headline of the German Exciting Commerce blog on 15 January 2015. The industries affected by cross-border competition (which is by no means all) know that they have to live with a further drain of purchasing power abroad. But there is no sign of resignation on the survey panel.

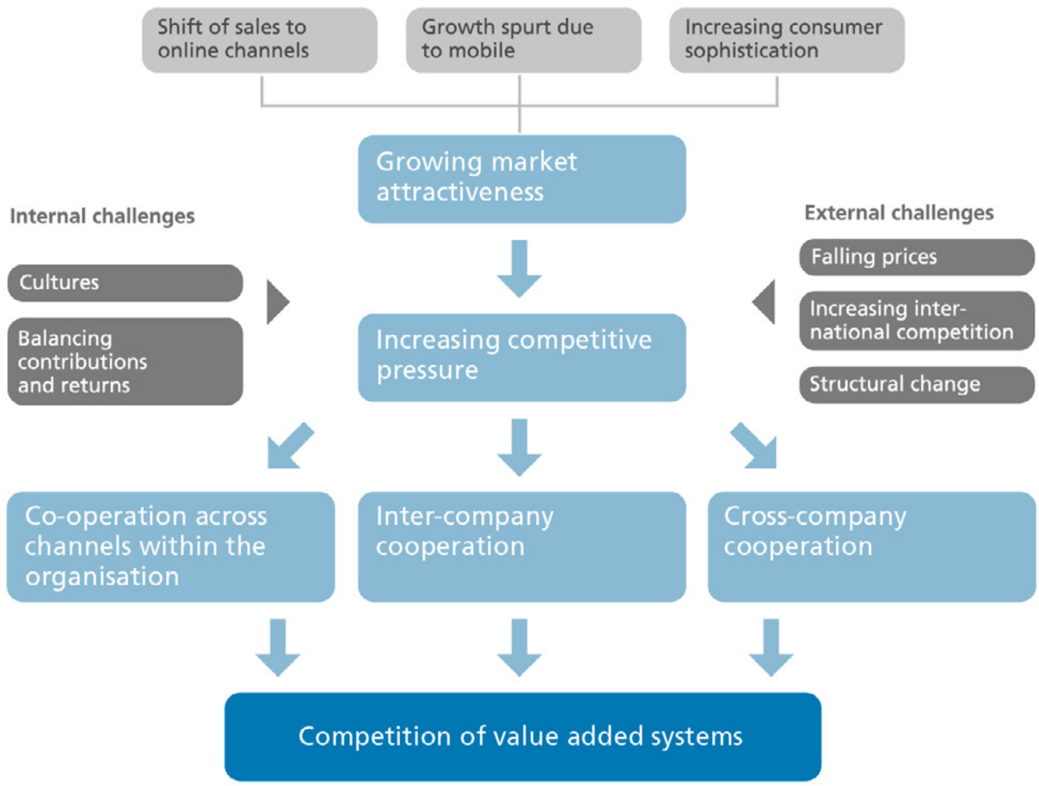


*Fig. 1: The situation of e-commerce in Switzerland in 2015*

**Euro devaluation puts pressure on sales:** Most online and offline vendors responded to the drastic euro devaluation in January 2015 by cutting prices, thereby reducing turnover and contribution margins for the same volume of sales. That hurts, as it does in other markets too. The anticipated growth in volume will not always offset the nominal reduction in turnover. The serious concerns felt initially have nevertheless receded within three months in most cases.

**New sales driver: mobile:** The drivers of the shift to online commerce are mainly the familiar factors: increasing consumer sophistication, enhanced offerings by niche suppliers, and lower prices on the Internet. But now for the first time the survey participants regard increasing mobile Internet use as the most important driver. Mobile orders are still growing particularly well in the case of companies where customers use the service frequently.

**Pushing the mobile breakthrough:** The mobile share of traffic is still higher than its share of orders - conversion rates are often still lower than in the case of PCs / laptops, especially in the case of smart-phones. Work on optimising mobile is therefore proceeding with the highest priority. In some cases Mobile-optimised web sites are reducing the importance of apps, whereas for specific situations and applications there does indeed seem to be a revival for apps. Nevertheless the main hurdle is still the checkout, for which however there are now some convenient one-click checkout solutions in place, such as customer identification by device detection. Payment can then be made automatically using the procedure established on initial registration.

**Sustained momentum, slight consolidation:** Momentum has been growing for years, and the level of competition has been rising; this requires companies to adapt, which does not always work. In the travel industry for example, where the digital transformation is already well advanced, Kuoni's announcement that it is withdrawing from the tour operating business came as a bombshell. SBB made a similar decision a few months later. These developments confirmed the view of industry insiders that successful management of structural change is an essential precondition for survival even for well established businesses.

**Pressing ahead with investment:** In order to survive in this increasingly competitive environment, investment is continuing at a high level. Most of the survey participants believe long-term investment is necessary to achieve and maintain a leading position in e-commerce. Almost two thirds of companies state that they intend to increase their capital spend again in 2015. The e-commerce performance bar is therefore likely to be raised further in the immediate future.

**Shift towards direct selling of fashion labels:** The only sector where there is a marked trend towards disintermediation - direct selling by brand manufacturers - is fashion retail. This trend is evident both in bricks-and-mortar outlets and online. Numerous iconic brands are also resisting their dealers' selling their products online as well as in their shops. This is undermining the retailers' plans of pursuing a multichannel strategy.

**Multichannel retailing concepts on the up:** Of all the seven years covered by this survey, this year has seen the highest acceptance of multichannel retailing concepts. Even a clear majority of the e-commerce pure players is now of the opinion that collection points, service points, pop-up stores or flagship stores could be valuable supplements for them. But this has not made the challenges of implementing such concepts any less daunting. Internal transformation in particular is a Herculean task.

**Food retail is playing catch up:** Coop@home has reduced the lead of the market leader Le Shop in terms of sales to one third; five years ago, it was still half. It is impressive how systematically co-op is expanding its own logistics infrastructure to be able to deliver groceries to the customer's doorstep the day they are ordered, within a delivery window of one hour. A second logistics centre came on stream in Bussigny in 2014. Is co-op in the process of building a comprehensive logistics infrastructure for home delivery?

**«Customers are at the mercy of deliveries»:** This quotation from Sami Liechti of BLACKSOCKS neatly summarises the most serious deficit in physical fulfilment as reported by the survey participants. It is still difficult for customers to be sure of receiving a consignment at a particular time and place. This punctuality is currently regarded by many as more important than sheer speed of delivery.

**IT: Highway to heaven or nail in the coffin?:** More than ever, IT is one of the key success factors of an e-commerce enterprise. The survey participants differed widely in their assessment of their own IT resource - for some it constituted a decisive competitive advantage, whilst others spoke of a nail in their coffin. Many enterprises are conducting major IT investment projects extending over several years. Generational change in the case of online shops involves long beta phases to actually achieve the desired effectiveness and conversion.

**Personalised communication: now we can:** For years now, companies have been talking about providing better service to their existing customers, improving the quality of communication by introducing CRM systems and personalisation. For a long time that was just lip service, but now that acquisition of new customers has become so expensive, it is being pursued in earnest. But it is proving much more difficult than most expected. The projects take longer, the data still require a lot of upgrading, IT systems and service providers cannot always live up to expectations.

**Expansion of revenue potential:** Increasing revenue potential in the small market of Switzerland has been an issue for many years. The respondents were therefore asked how they intend to grow their revenue streams. The replies indicate that revenue from the enterprise's primary competency is the main priority; for retailers for example this means expanding their range. Revenue from the sale of complementary goods or services takes second place. B2B sales are an increasingly important goal for about a third of the companies surveyed. Selling more abroad is only a weak trend; three companies have had their fingers burned and are cutting back their foreign exposure.

**ricardo: quo vadis?:** Sales plans for ricardo were announced in autumn 2014. An assessment of the ranking of chargeable horizontal marketplaces for Switzerland was therefore included in the 2015 survey. Ricardo is indisputably the central focus; in terms of volume, ricardo has always been the biggest online player for trade in goods. But ricardo is still a minnow compared to Amazon or eBay in other countries. Ricardo has also hardly participated in the growth of e-commerce in Switzerland in recent years. How long will it take for digitec / Galaxus to overtake ricardo in terms of sales?

The challenges for the ricardo group and its new owners are numerous and varied. C2C business is shifting to the free classifieds marketplace, and B2B business is at an early stage of development. In view of the superiority of foreign players and the special features of the Swiss market, ricardo needs to find a new positioning of its own.

**Ticketing - issue of the year:** The Switzerland E-Commerce Report attempts to summarise the trend in online commerce in findings that are of general validity. But the picture is much more differentiated in the reality of individual sectors and companies. Ticketing was therefore selected as the main issue for detailed examination this year. The potential for digitalising tickets means there is great potential for transforming the sectors and business models concerned.

A sample of nine organisations shows there is now a wide range of distribution solutions in the fields of transport and events. The effectiveness of marketing solutions has increased enormously with the development of networked ticketing solutions, but whether and to what extent this transforms the sectors concerned depends largely on the dominant forms of cooperation in each case. In the case of public transport, developments are being driven across all sectors in a coordinated manner; in the case of concert events, business ecosystems are intensely competitive. There is also a stream of innovations and start-ups driving new business concepts, such as parking space booking.

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