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THE MULTICHANNEL HOME SHOPPING INDUSTRY IN EUROPE

Market Overview – Key Trends – Forecasts to 2022



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Ladies and Gentlemen,

ERA Europe, the Electronic Retailing Association, is proud to present the 2017 market survey "The Multichannel Home Shopping Industry in Europe", a study conducted on the 10 most important markets as well as reviewing consumer behaviour in five of these markets. This is the third such study on the European multichannel Home Shopping industry presented by ERA Europe, following prior studies in 2012 and 2008.

The Home Shopping industry began 40 years ago as a radio show in the US, with the first dedicated European Home Shopping TV channels being launched in 1993 in the UK, in Germany in 1995 and in France in 1996. The Home Shopping industry continues its success story today and is well prepared for the challenges of the future.

The market numbers look very promising: following the impressive market development we have seen in the past, this study projects that the European market will grow over 30% within the next five years. Does this seem too optimistic considering the speed of change we have seen the last years?

Five years ago, when we felt that the digital transition was just about to start, it was predicted then that the interactive business model of home shopping was ready for the digital multi-channel future, (or 'omni-channel' as it is now called). Now, five years later, all indicators have proved that the European industry was well prepared and is today absolutely ready to take on the digital challenge.

Today, we find ourselves in the middle of a fast changing environment. The speed of new technologies have invented quickly changing patterns of media usage and there are many new players and platforms competing for consumer attention making the market appear like a new game with new rules. However, consumers will always be looking for good products and will want to purchase these items with the maximum comfort, so the core strength of our industry will always remain.

Everybody can claim to be multi-/ or omni-channel these days, however we have specialist expertise which is unique in the retail industry: we enhance the product with video, we help the customer to understand "special" USPs, creating products which answer customer needs and tap into their emotions, leading to maximum customer satisfaction.

We know that our customers are interested in new technologies and opportunities to use these techniques which can provide added services and convenience in the future.

We conclude that the future presents some new challenges but even more opportunities for all of us in this fascinating industry.

We invite you to learn more by reading this comprehensive study on the Multichannel Home Shopping Industry in Europe.

Best regards

Dr. Julian Oberndoerfer

Chief Executive Officer/ Administrateur Delegué

Electronic Retailing Association Europe

2 Methodology and Definitions

2.1 Methodology

The data in this report was collected in collaboration with ERA Europe using a comprehensive online questionnaire that was sent to all home shopping operators in the markets that were analysed. In addition, in-depth desk research was conducted that involved analysing press releases, professional articles, key company data and statistics. Key socio-economic data, such as population and development of distance selling and TV markets, were also considered. Telephone interviews were carried out with market players and experts in the country markets that were researched. The study was conducted between March and June 2017.

2.2 Home Shopping User Research

Goldmedia conducted an online survey in five European countries, in which about 350 home shopping users from the age of 14 took part in each country. The survey language was adapted accordingly.

Table 1: Number of participants and home shopping users per country

Country	Number of Participants	Number of home shopping users	Incidence rate
France	2,386	356	15%
Germany	1,602	351	21%
Italy	1,761	355	19%
UK	1,462	356	24%
Russia	1,480	364	25%

Source: Goldmedia 2017

In this study, a home shopping user was defined as anyone who ordered anything from a home shopping channel or service in the last six months. Anyone who answered the respective question¹ at the beginning of the survey positively was able to take part in the rest of the survey. Apart from the age limit of 14 years and the ability to access the internet to take the survey, no further filters were applied in relation to demographics. This procedure enabled results to be generated that were representative of people who have ordered something from a home shopping provider in the past six months.

The incidence rate per country gives an insight into the occurrence of home shopping users within the general (online) population of each country.

¹ "Have you ordered anything from a home shopping channel or service in the last six months? We understand home shopping as any televised home shopping station, channel or show which offers a direct purchasing opportunity for goods and services. This does NOT include online only retailers like Amazon or eBay."

household and year of more than 2,200 euros which is much lower than in the UK but higher than in Germany, Sweden or the Netherlands.

Preconditions for e-commerce and m-commerce activities are also positive in France, where more than a third of all households have a connected TV set at home and more than 80 per cent of the population have already used a smartphone by the end of 2015.

Table 15: France: TV market environment

France	in millions	% of TV households
Multisets (households with >1 TV set)	22.1	78.4
HDTV households	25.1	88.9
Connected TV households	9.4	33.2
Cable TV households (analogue + digital)	2.9	10.4
Satellite TV households (analogue + digital)	9.6	34.1
Analogue terrestrial only households	-	-
Total digital households	26.7	94.8
Digital terrestrial households (1)	12.6	44.8
Digital satellite households	9.6	34.1
Digital cable households	1.5	5.2
IPTV households	12.6	44.7

Sources: IHS, CSA. All data as of 2015 if not otherwise specified, (1) all TV sets

TV viewing time in France has been quite stable since 2013 and is relatively high with an average daily viewing time of 3 hours and 44 minutes in 2015. Catch-up TV services and on-demand viewing is rapidly gaining ground.

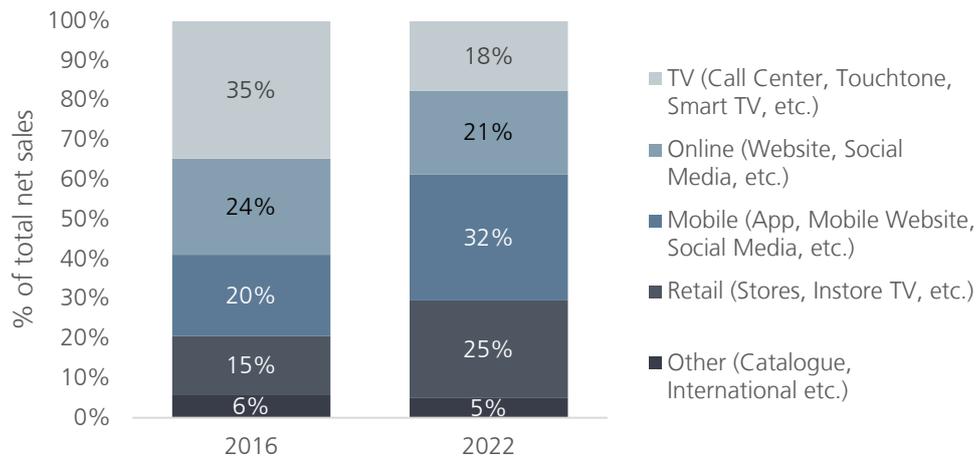
In 2015, the lion's share of TV households in France receive digital TV (94.8% of 26.7 million households). Even though the former importance of terrestrial television has decreased, DTT is still used by 44.8% of TV households including all TV sets, according to the French regulator Conseil supérieur de l'audiovisuel (CSA).

However, the DTT platform which is regulated by the CSA is also of huge importance for the other digital platforms. This is because companies that own one of the 26 DTT licenses also get an attractive channel number which is also listed high in the EPG channel lists of all other platforms. Other channels are thematically grouped in the EPGs and achieve a lower reach.

IPTV has become the main TV platform serving 44.7% of all French TV households. There are five main IPTV players: Orange, Free, SFR (which was acquired by Altice's Numéricable in 2014), Bouygues Telecom and Darty Telecom.

Satellite television is fully digital and serves around 34.1% of TV households in France. Five main satellite packages are available: the free-to-air services Fransat and TNTSAT, and the pay services Canal Sat, AB Bis Télévision and Orange with TV d'Orange.

Figure 29: Netherlands: Share of home shopping revenue (net sales) by sales channel 2016 and 2022



Source: Goldmedia

9.4 Netherlands: Main Market Players Profiles

Live Shopping operators

Table 64: Netherlands: Hochanda

Category	Description
Ownership	Hochanda Services Limited
Address	1184 Lincoln Road, Peterborough, PE4 6LA, United Kingdom
Website	https://www.hochanda.nl/
Service	Hochanda
Launch	2017
Programming	Live shopping
Platform/distribution	Live shopping windows on SBS 9 (8 am -11 am), 24/7 IPTV portal hochanda.nl
Coverage	All TV households
Products	DIY, hobby, art and craft

DRTV Operators

Table 65: Tommy Teleshopping

Category	Description
Ownership	Tommy Teleshopping B.V. (100% Omni Channel Group)
Address	Hogebrinkerweg 19, 3871 KM Hoevelaken
Website	http://www.tommyteleshopping.com/

The main legislative act that regulates broadcasting is the “Act 6/2012 of 1 August 2012, amending General Act 7/2010 on Audiovisual Communication” of 31 March 2010. The national regulator for the audiovisual sector is the Comisión Nacional de los Mercados y la Competencia.

11.2 Spain: Home Shopping Market Overview

Table 84: Spain: Home shopping market overview

Category	Spain
No. of home shopping operators	10
No. of home shopping channels (national)	6
...live shopping channels	0
...auction TV channels	0
...DRTV channels	6
Total home shopping market net sales 2016	240m euros
Home shopping revenues per capita	5.2 euros
Employees in the home shopping market	600

Source: Company data

The Spanish home shopping market has been comparatively small. Home shopping in Spain started during the early 1990s. La Teletienda on Antena 3 was one of the first shopping programmes. Today, La Teletienda is operated by Toledo-based Global Shop Online S.L. and broadcasts infomercials on the channels Nova, 13TV and Paramount Channel between 1 am and 5 am. It sells various beauty, sport, home and kitchen products.

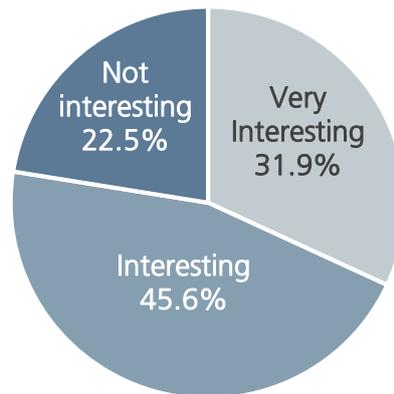
The most important player in the Spanish market is the retail group El Corte Inglés S.A. El Corte Inglés is one of the largest retail groups in Europe and with a turnover of more than 15.2 billion euros in 2015 is by far the biggest player in the Spanish retail business. In its core business, El Corte Inglés operates almost 100 department stores all over Spain and also in Portugal.

La Tienda en Casa (LTC) is the strategic multichannel home shopping service within the group. With more than 3 million customers, LTC is active in the direct response business including a mail order catalogue that is sent to 1.5 million customers each month and various online shops. In addition, LTC provides the home shopping programme “La Tienda en Casa” which is broadcast on various shopping windows on national channels of the Mediaset Group and the AtresMedia Group, on 13 TV as well as on two 24 hour channels in cable TV packages.

Moreover, there are two 24-hour free-to-air channels and various windows on regional/local TV. The operations also include the retail business with the El Corte Inglés department stores, hypermarkets (Hipecor), supermarkets (Supercor) and do-it-yourself stores (Bricor) as well as outbound campaigns.

Since it was established in 1985, the Industex Group (established in Winnipeg, Canada) has sold products via DRTV in over 80 countries worldwide. The company is

Figure 63: Interest of home shopping users in experiencing product presentation in virtual reality, 2017



Source: Goldmedia customer research 2017, n = 1,777, basis: European home shopping customers (online), Question: Imagine that in the future you are able to view products through virtual reality glasses, which will enable you to get a better idea of the product, enable you to try on virtual clothes or place items in your apartment as holograms. How highly would you rate being able to do these things?

Goldmedia's online survey shows that European home shopping customers seem to expect that virtual reality could reasonably enhance their shopping experience: 78 per cent of the respondents stated to be interested or very interested in product presentation supported by VR technology.

Given these prospects, it is not surprising that retail is considered to be among those industries most affected by AR/VR, apart from the application in events/entertainment, gaming or education.

Figure 64: Alibaba Buy+ virtual reality shopping at Macy's, screenshot, 2017



Source screenshot: Twitter, @AlibabaGroup, Post from October 20, 2016

The range of experiments in which retailers have started using augmented and virtual reality is quite diverse. The Chinese e-commerce giant Alibaba showcased a widely anticipated pilot project on November 11, 2016 (Chinese Single's Day, the