Study of B2C Electronic Commerce 2010

October 2010

The Study on B2C e-Commerce 20010 was carried out by the ONTSI (Spanish Observatory for Telecommunications and the Information Society) study team:

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1. INTRODUCTION

The Public Corporate Entity Red.es, attached to the Ministry of Industry, Tourism and Trade through the State Secretariat for Telecommunications and the Information Society, is legally responsible for carrying out certain duties designed to contribute towards the development of telecommunications and the Information Society in Spain.

The B2C 2010 study presents e-Business data based on consumer purchases in 2009. A representative sample of 2,675 web users was studied, analysing their habits, purchases and their opinion on e-Commerce, as well as the barriers that limit their access to this sales channel.

The B2C Electronic Commerce study has been carried out since 2000. With the aim of improving the estimation of total expenditure on electronic commerce, this year fundamental changes have been implemented in the calculation of expenditure and number of purchases. AS a consequence of these changes, values for those two indicators have shown an increase with respect to the previous methodology. To keep a historical data record, the new calculation methodology has been replicated to calculate B2C e-commerce expenditure for 2007 and 2008 (the two previous years).

This methodological change is a response to the need to produce more precise and exhaustive indicators. Specifically, in other previous studies, the expenditure and number of purchases per individual was established based on global expenditure in the previous year. On the contrary, this 2010 study calculates global expenditure in online purchases based on costs and number of purchases reported for 17 product categories. We considered that this procedure better stimulates interviewees' memory and offers more precise results.

2. EXECUTIVE SUMMARY

B2C sales

The business volume generated by B2C electronic commerce in 2009 reached €7.76 billion, which represents an increase of 15.9% compared to 2008.

This growth in sales lies in the percentage of Internet users, which grew from 58.3% to 64% of the population aged 15 and over, and the percentage of Internet purchasers, which grew from 40.3% to 41.5%, yielding an increase in the absolute number of e-purchasers to 1,481,292. This, together with the average expenditure per purchaser at €749, explains sales results for 2009 and the rise from the previous year.

Purchaser profile

The purchaser profile corresponds to the following socio-demographic characteristics.

- Individuals aged between 25 and 49, particularly the segment aged between 35 and 49
- Residents in urban areas (more than 100,000 inhabitants)
- With a university education
- Of high and medium-high socio-economic level
- Active full-time workers

Internet use. Purchasers vs. non-purchasers

Internet purchasers show a more intensive use of the Internet.

- A higher proportion of purchasers declare that they connected to the Internet for the first time more than 3 years ago (88% compared to 72% of non-purchasers).
- Of the total Internet purchasers, 83% had accessed the Internet the previous day, compared to 68% of non-purchasers.
- Greater access to broadband services (84% of purchasers compared to 75% of non-purchasers).

Electronic mail and its role as a commercial channel

In 2009, 86% of Internet users had e-mail. This percentage reaches 96% among purchasers.

- A total of 10% of them reached the shops where they made online purchases through the links included in the e-mails.

The Internet as a commercial information channel

The Internet has gained importance as the key information channel to prepare a purchase: 70.2% of Internet users browsed the Internet to obtain information and subsequently purchase products and services at a physical shop, compared to 62.8% in the previous year. This practice was more common among online purchasers (95%) than non-purchasers (54%).

Purchaser preferences

The determining factor for making online purchase decisions is that the company that sells the product/service is well identified, and that it appears in general search engines since they are the route most frequently used for accessing a virtual shop.

It must also offer clear, comprehensive and concise information regarding contractual matters, such as product/service and price, clarifying which expenses are or are not included in the transaction.

On the contrary, the Spanish nationality of the company is not so important for online purchases.

Key aspects of Internet purchases

Online purchasers in 2009 were not new, but already had experience in online purchases from previous years. Specifically, 64% of the purchasers made the first purchase online in 2008 or before.

Home gains importance as the main location for making online purchases (90.4% of online purchasers acquired goods or services from their home in 2009, compared to 84% in 2008).

Purchases are mainly made on the product manufacturer's website (52%) or shops that sell exclusively online (51%). In the last year, there was increased diversification of products and services available for Internet purchases. Purchasers, apart from using the two aforementioned shopping modalities, made purchases from virtual shops that also have physical premises (42%), which was the preferred modality in 2008 and currently occupies third place. In last place we find auction portals, which is still not a popular option and are only used by 13.9% of Internet purchasers.

Purchasers get to know on-line shops through increasingly more channels (search engines, word of mouth, advertising, price comparers, forums…) but general search engines remain the most used channel (78%). Lastly, previous experience –having the shop in the 'favourites' list or typing the URL in the address bar – is gaining importance when accessing the shop.

Two out of three online purchasers (65%) preferred to pay for online purchases by credit or debit cards and at least 80% of their purchases are paid using this method. Additionally, almost half of the purchasers (47%) who use a credit or debit card introduce a security PIN to confirm the transaction.

Cash on delivery is the second preferred option (14% of online purchasers).

Online purchases

Tourism and entertainment are the key sectors in on-line purchase. Transport tickets (50.4%), accommodation bookings (45%) and tickets for shows (35.5%) continue to be the star products of e-commerce.

Following these are clothes and accessories, books and electronic equipment, and Internet services. Food and miscellaneous products, software, DVDs/music/videogames, appliances, car renting, financial services and insurance, complete the ranking of the most popular products.

The average number of online purchases per purchaser in 2009 was 7, compared to 8.2 in 2008, and they spent €749 on average.

3.9% of purchasers buy every week or fortnight, and a bit more than a quarter do so every two weeks or more frequently. At the other extreme, 12.9% of them only buy on the Internet once a year.

Satisfaction with online purchases

Most users (94.3%) had no problems with online purchases in 2008 and 2009. This positively influences purchaser satisfaction with Internet transactions.

The main problems with online purchases can be summarised into three blocks: Logistics problems, non-logistics problems and payment problems.

Logistics problems have a considerable prominence: 39.6% of the purchasers who experienced problems with their online purchase declared that the product arrived late and 20.9% said that they did not receive the product.

In other occasions, the product received by the purchaser was not as advertised on the website.

Price sensitivity was a key factor to increase the number of purchases by users in 2009. Lower price of products (71.5%), no delivery costs (52.9%) greater refund guarantees (52.1%) are the most important factors for future purchases. The second barrier to e-commerce is Internet security. Payment security and transaction security are other significant barriers to it.

User claims against problems encountered in the purchase process remain in the same level of the previous year. Over six out of ten users who suffered an incident in their online purchases (64.3%) chose to lodge a claim. Claims are mainly lodged through the customer care service of the company that sold the product. And, although almost all claims were satisfactorily resolved (94.1%), near half of the users (46%) declare that it took from one week to one month for them to get a response.

Two out of three purchasers (66.5%) declare that the online order delivery service is good. The incidence of a poor or a very poor delivery is hardly significant for online purchasers (1.1%).

Evaluation of the Spanish offer of products and services on the web

The presence of Spanish companies on the Internet is considered as good or sufficient by 65.4% of e-purchasers to buy online. Approximately the same percentage of online purchasers (65.5%) are satisfied with the variety of the products offered by Spanish companies on the Internet, and two out of three of them (62.1%) assert that the presence of Spanish products on the Internet is good or sufficient .

Quality seals

Internet users appreciate that transactions have subscribed to a seal of quality or code of trust. Almost half of them (45.3%) declare that they take this factor into account when making a purchase online.

Private buying and selling

To cover the field of electronic commerce more extensively, in this edition we have included a section for online trade between consumers: C2C (consumer to consumer) electronic commerce.

Internet transactions between individuals are becoming increasingly significant in the context of e-commerce. 15.7% of all the participants in the survey claim to have conducted some kind of transaction between individuals (buying, selling or both).

Price is one of the most important incentives to buy products or services from individuals, which is asserted by 63.5% of the purchasers.

The distribution of products purchased from consumer to consumer via the Internet is homogeneous, though electronics stand out as the most purchased product category, with a percentage of 27.3% in 2009. In second place we find clothes and accessories with a percentage of 21.0% of the total.

Barriers to electronic commerce

77.8% of Internet users who did not buy online in 2009 report the preference for physical shops and being able to see what they buy as the main reason for not making Internet purchases.

The second barrier to electronic commerce is the distrust regarding the Internet and in relation to personal or bank details. Specifically, 64.5% of online purchasers declare that they are afraid to give their personal data via Internet. This sense of insecurity is not principally caused by distrust in payment methods, but the potential misuse of personal and financial data.

7.2% of non-purchasers plan to make online purchase in the next months.

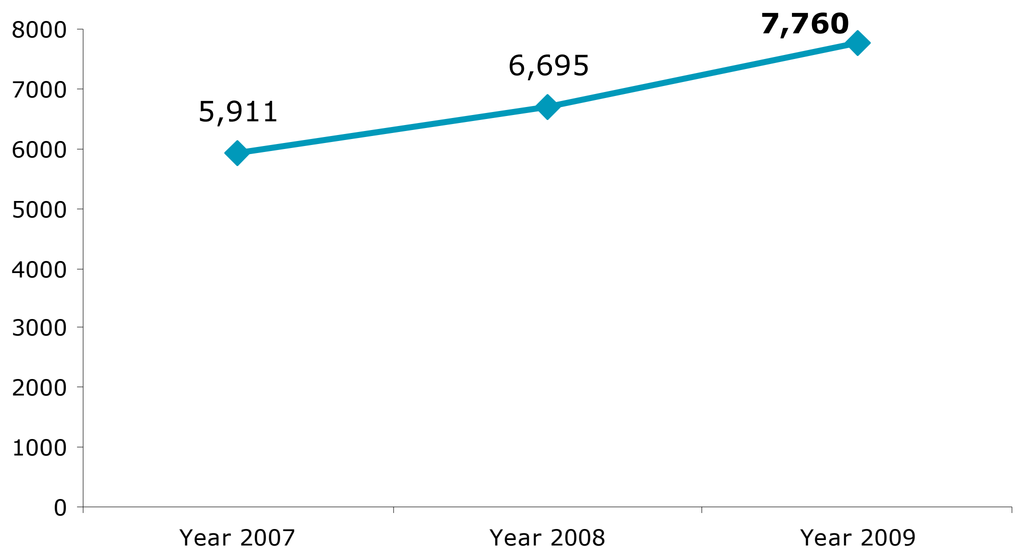
Among Internet users who did not purchase in 2009 but have done previously, the main reasons were they preferred to go to the shop (66.6%) and lack of need (58.5%).

Internet users who did not purchase in 2009 but have done previously, declare that the key factors for them to buy on the Internet again is finding interesting products (62.8%) and online channel exclusiveness (59.8%).

3. B2C E-COMMERCE FIGURES FOR SPAIN

In 2009, the business volume generated by B2C electronic commerce in Spain exceeded €7.76 billion, an increase of 15.9% compared to 2008 (€6.695 billion).

Figure 1. Volume of B2C electronic commerce (million €)



***** Data obtained with a new calculation method, as described in the Technical Specifications.*

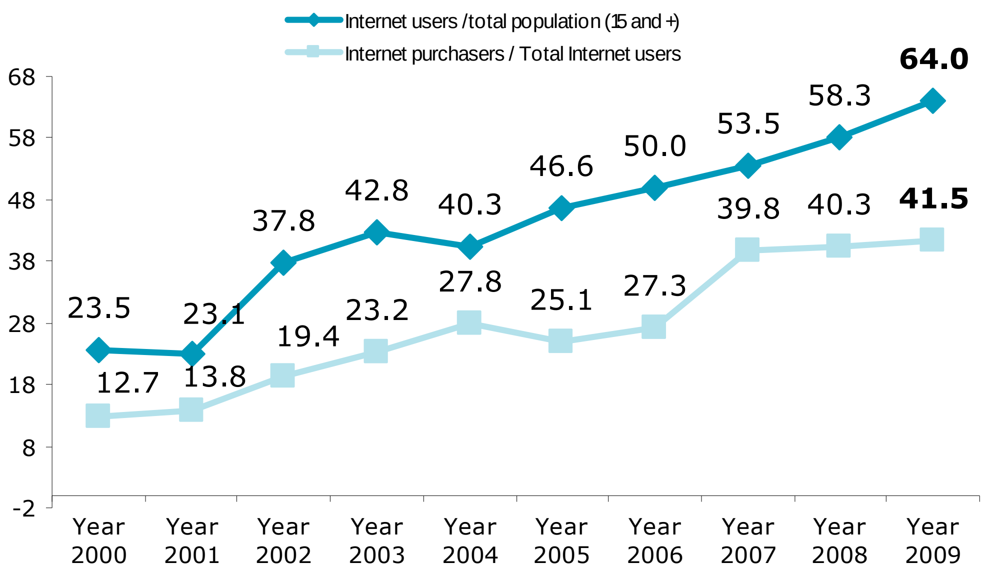
Source: Red.es Observatory

Estimated e-commerce sales in 2009 are obtained by multiplying the number of e-purchasers (approximately 10.4 million estimated purchasers at the start of 2010) by the average annual expenditure per Internet purchaser (€749).

In the last edition of this report, the calculation formula for annual average expenditure has been modified with the aim of obtaining more precise data, based on costs and number of purchases reported for 17 product categories. Additionally, values for 2007 and 2008 have been recalculated with the new formula. More details about this methodological change can be found in the technical specifications.

The number of Internet purchasers grew 17%, from nearly 8.9 million to 10.4 million individuals. Despite this increase in the number of purchasers, the proportion of Internet users who made online purchases in the last year has remained practically unchanged compared to previous years: online purchasers grew from 40.3% in 2008 to 41.5% of all Internet users in 2009.

Figure 2. Evolution of the number of Internet users and Internet purchasers (%)



Source: Red.es Observatory

The evolution of the percentage of Internet purchasers remains more stable compared to previous years than the percentage of Internet users, which is increasing at a faster rate reaching 64% of the total current population.

While there is an increase in the absolute number of e-purchasers, we observe a trend of stagnation in average expenditure per purchaser, which records a slight drop of 0.9% compared to 2008.

Table 1. Evolution of average annual expenditure per individual purchaser

Year	Total amount
2007	739 €
2008	754 €
2009	749 €

**** Data obtained with a new calculation method, as described in the Technical Specifications.***

Source: Red.es Observatory

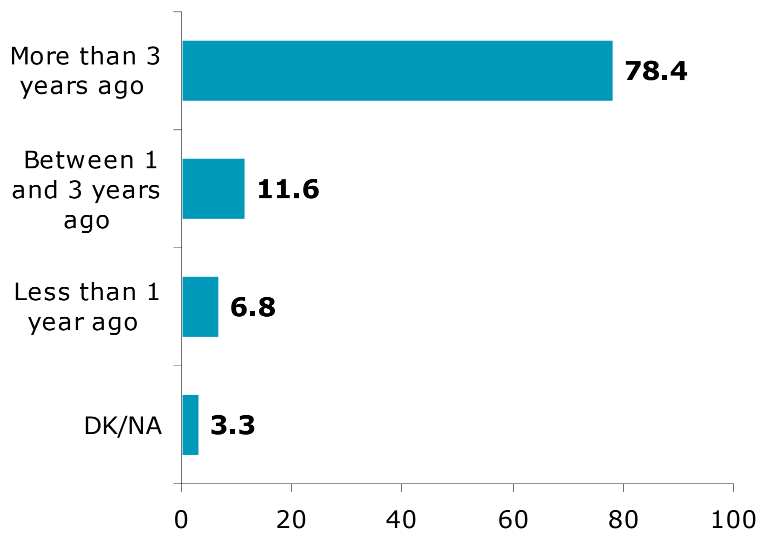
4. INTERNET USERS

Experience in use of the network

The level of experience in Internet use claimed by the users was high, although the arrival of new Internet users slightly lowered the percentage of users who had been using the Internet for more than three years. Practically eight out of ten (78.4%) of the Internet users connected for the first time more than three years ago, while 6.8% connected for the first time less than six months ago.

The socio-demographic groups that accumulated a higher percentage of Internet users with an experience of more than three years were comprised of individuals aged between 15 and 30, with university studies and of upper middle and upper class. However, gender and town/city size were not such determining factors in Internet use.

Figure 3. Years of experience in Internet use (%)



Base: Total Internet users

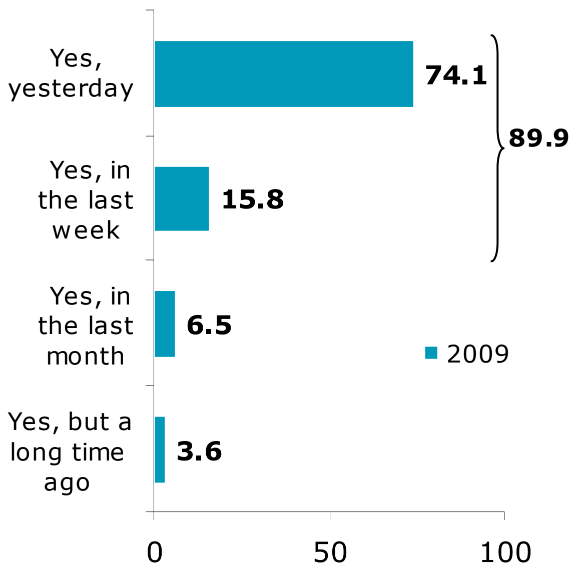
Source: Red.es Observatory

Among the individuals who had most recently accessed the Internet there was a significant representation of the profiles most distant from information technologies: individuals aged over 65, individuals with primary education or a certificate of primary studies and individuals with a low socio-economic level.

Internet use

Nearly three-quarters of the sample (74.1%) had accessed the Internet the previous day, a value that rises to nine out of ten individuals (89.9%) if we include users who had connected to the Internet in the previous week. Frequent use of the Internet prevailed over more or less sporadic uses. Daily or weekly use is predominant.

Figure 4. Have you ever used the Internet? (%)



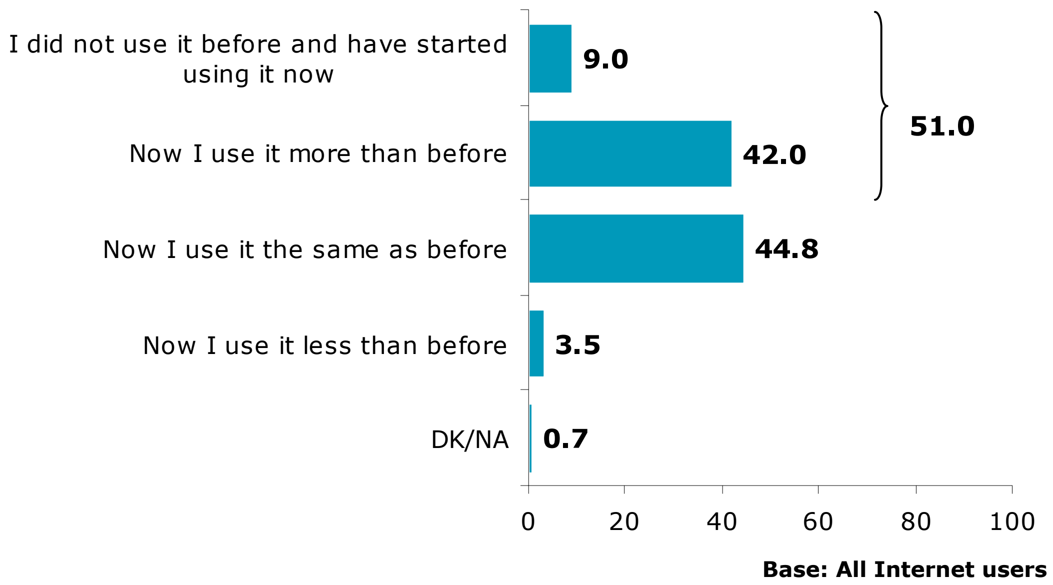
Base: All Internet users

Source: Red.es Observatory

The profile with the highest percentage of regular Internet connections (in the previous day) is the following: men, individuals aged between 15 and 30, individuals of upper class backgrounds and individuals with university studies.

There is a relationship between the years of experience in Internet use and the degree of use in comparison with the previous year reported by users. The more years of experience the users have, the greater the percentage of them that use the Internet the same or more than the previous year.

Figure 5. Internet use compared to the previous year (%)



Source: Red.es Observatory

The rise in the level of experience among Internet users is also reflected by intensified use of it. Specifically, around half of users (51%) assert that they used the Internet more in 2009 than in previous years (42% of them reported a greater frequency and 9% were new users). On the contrary, the number of Internet users that assert that they connected to the Internet less frequently than in previous years has dropped by 50%.

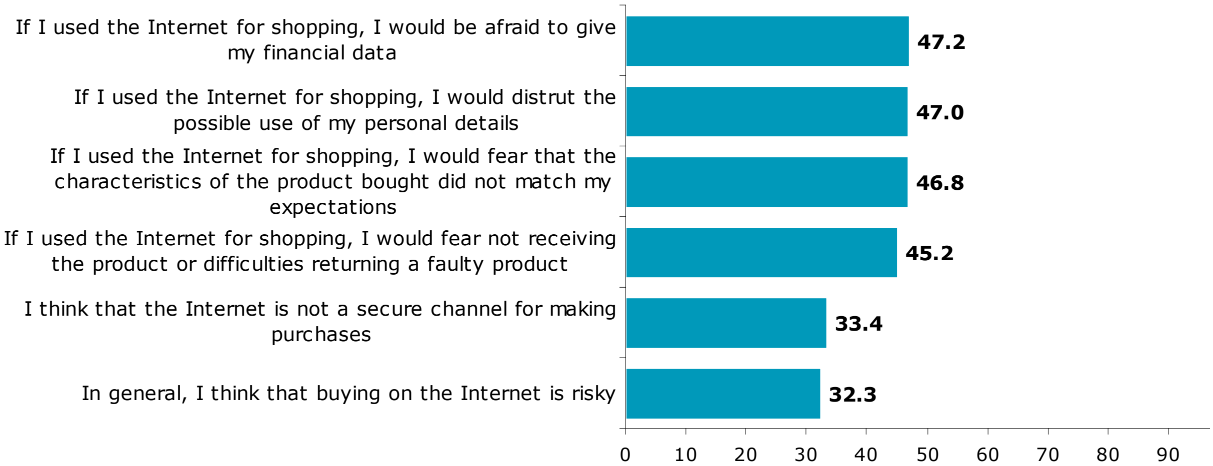
All of these variables highlight the incorporation of a large number of new users to the Internet, a certain stabilisation of use among the most veteran network users, and an increasingly intense use by young users.

Attitude barriers towards online purchase

Lack of security in the Internet continues to be a serious barrier for Internet users to buy online. They still are distrustful as regards the possible use of their personal and financial details when buying on the Internet.

Additionally, the concern that the product received is not the one purchased and problems returning the product are other barriers.

Figure 6. High degree of agreement – Statements about the Internet as a purchase channel (%)



Base: All Internet users

Source: Red.es Observatory

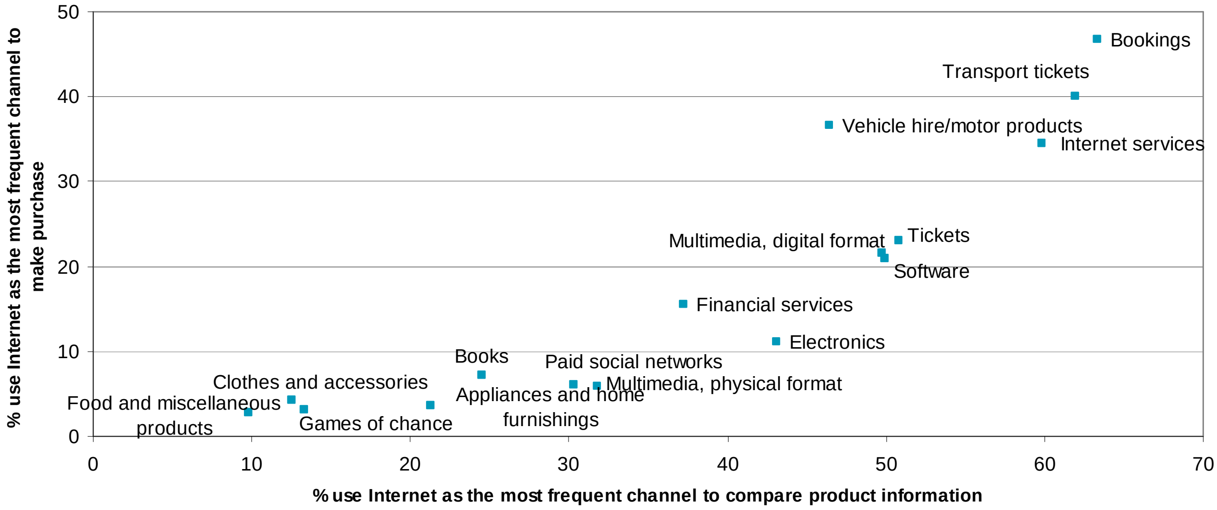
On-line vs. off-line purchasing process

The following is an analysis of the process of purchasing a product from the first stages of searching for information and comparing prices, to the last stage of making the purchase. In this analysis we also study whether the final purchase is more frequently made online (on the Internet) or offline (physically in a traditional store). Due to the greater presence of the Internet in Spanish homes, Internet users use the network to a greater extent to search for products, compare prices and characteristics and, often, make purchases.

The use of the Internet through the purchasing process is different depending on the category of the product/service. In fact, many products are purchased through channels other than the Internet. This is different for the information search process, where the Internet is often the most used channel.

In those types of products where more than 35% of users use the Internet as the most frequent channel to compare information, we have observed a rise in the use of Internet (as the most frequent channel) to buy the product.

Figure 7. Use of the Internet as the most frequent channel to compare information vs. to make purchases



Base: Internet users who purchased the product (online or offline) in 2009

Source: Red.es Observatory

The following section provides a more detailed analysis of the general purchase process by Spanish Internet users, broken down by categories: technology, services, home, entertainment and tourism.

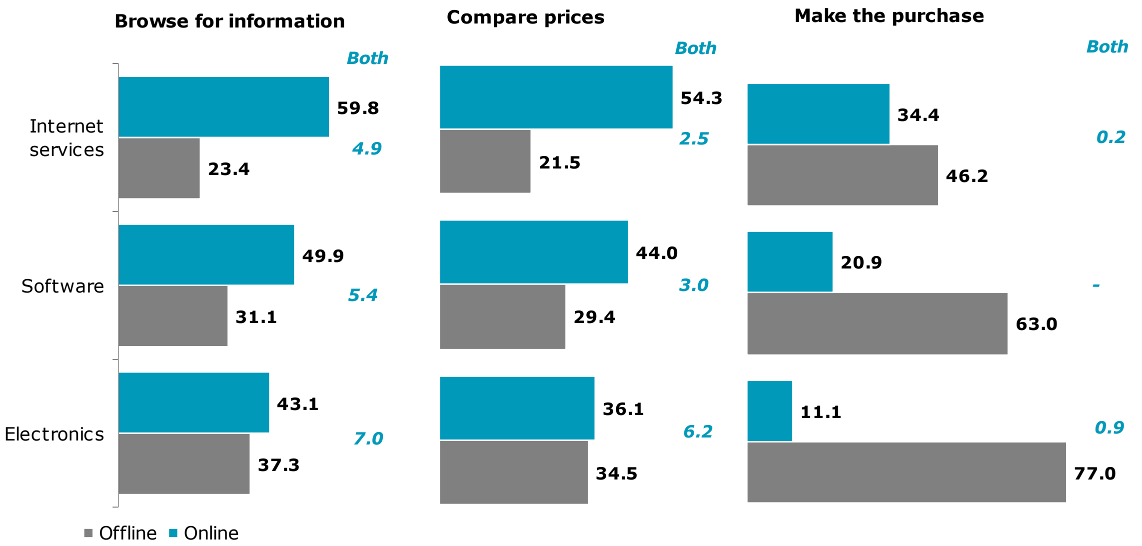
Technology

This category includes Internet services, software and consumer electronics. Internet services generate the most online searches. 6 out of 10 Internet users search for these services online.

Among Internet users who buy Internet connection services, 54.3 compare prices mainly on the Internet, while only 21.5% compare prices mainly outside the Internet. The conduct when buying the product is different. 46.2% of Internet users make the purchase in a physical store more frequently, while 34.4% does so via the Internet.

Similar user trends are observed in other products, namely software and electronics. Searching for information and comparing prices is mainly done online, but purchases are mainly made at a physical shop: 2 out of 3 purchases in the case of software (63%) and 3 out of 4 purchases in the case of electronics (77%).

Figure 8. TECHNOLOGY: Most frequent channel to search for information, compare prices and make purchases (%)



Base: Internet users who purchased the product (online or offline) in 2009

Source: Red.es Observatory

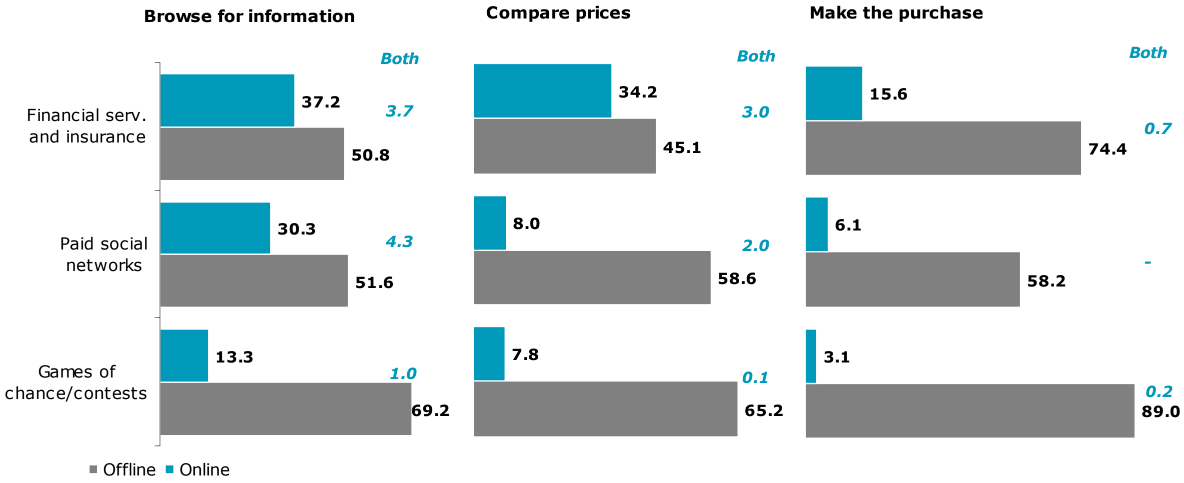
Services

Both the purchase and hiring of services and the processes before it are more frequent at physical shops. Most searches, price comparisons and purchases are mainly made outside the Internet.

Searching for and comparing information is mainly done at a physical location: 50.8% of Internet users search for information mainly via physical channels, and 45.1% compare prices mainly via physical channels. 15.6% of Internet users buy financial products more frequently via the Internet.

Paying via the Internet for pay social networks is something frequent for 6.1% of Internet users. With regard to games of chance and contests, services that are currently booming on the Internet, only 3.1% of Internet users make bets more frequently on the Internet.

Figure 9. SERVICES: Most frequent channel to search for information, compare prices and make purchases (%)



Base: Internet users who purchased the product (online or offline) in 2009

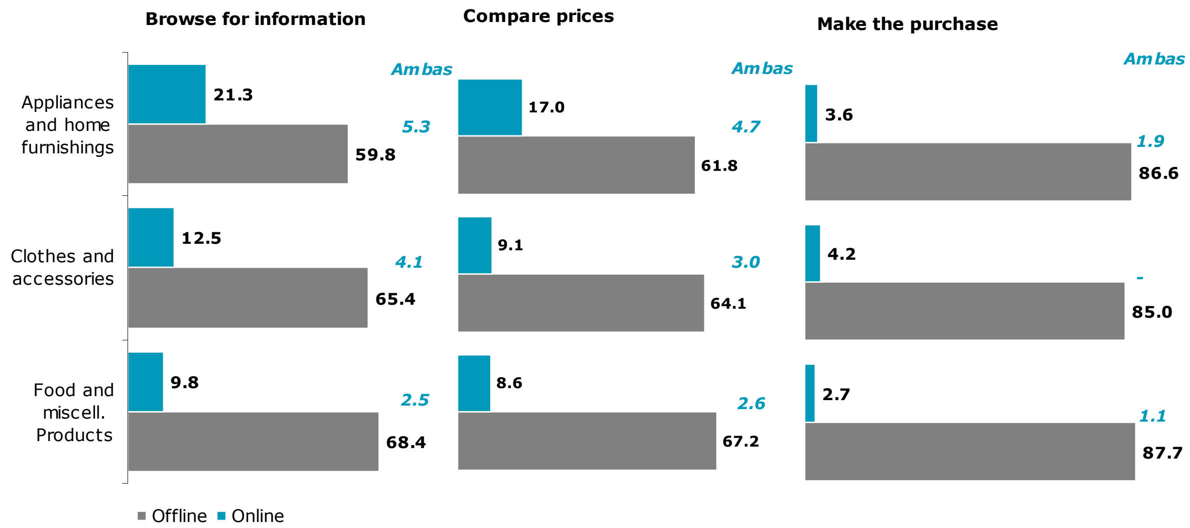
Source: Red.es Observatory

Home

The use of the Internet for the purchasing process of home products is almost residual, compared to the other categories. Specially, the percentage of Internet users that make the purchase online is very low (4% or less).

The highest percentage is observed in users who use the Internet for the steps before the purchase (browsing for information and comparing prices) of appliances and home furnishings, but they are still a minority. In the case of clothes and food, the percentage is much lower.

Figure 10. HOME: Most frequent channel to search for information, compare prices and make purchases (%)



Base: Internet users who purchased the product (online or offline) in 2009

Source: Red.es Observatory

Entertainment

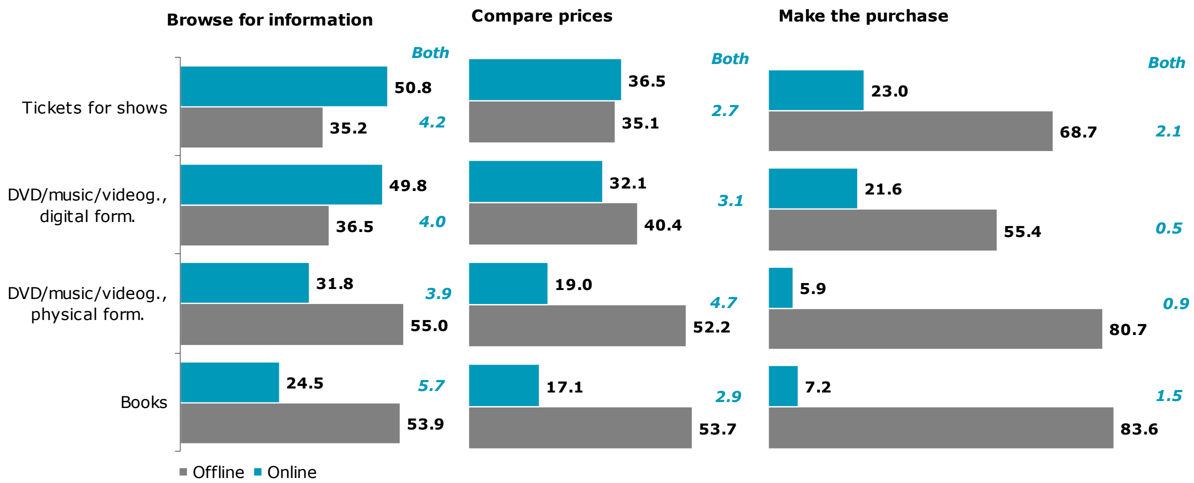
Internet users who buy entertainment products act differently depending on the type of products.

In the case of tickets for shows and DVDs/music/videogames in digital format, 50.8% and 49.8% respectively of Internet users search for information mainly online. In the case of DVDs/music/videogames in physical format and books, Internet users search for information mainly via physical channels.

4% of Internet users on average use both channels (physical and virtual) indistinctly.

With regard to comparison of prices in the entertainment category, the product that is compared the most on the Internet is tickets for shows, with 36.5% of Internet users doing so via this channel. Regarding the purchase of this product, most users prefer the physical channel, though 1 out of 4 of them (23%) buys tickets for shows mainly via the Internet.

Figure 11. ENTERTAINMENT: Most frequent channel to search for information, compare prices and make purchases (%)



Base: Internet users who purchased the product (online or offline) in 2009

Source: Red.es Observatory

Tourism

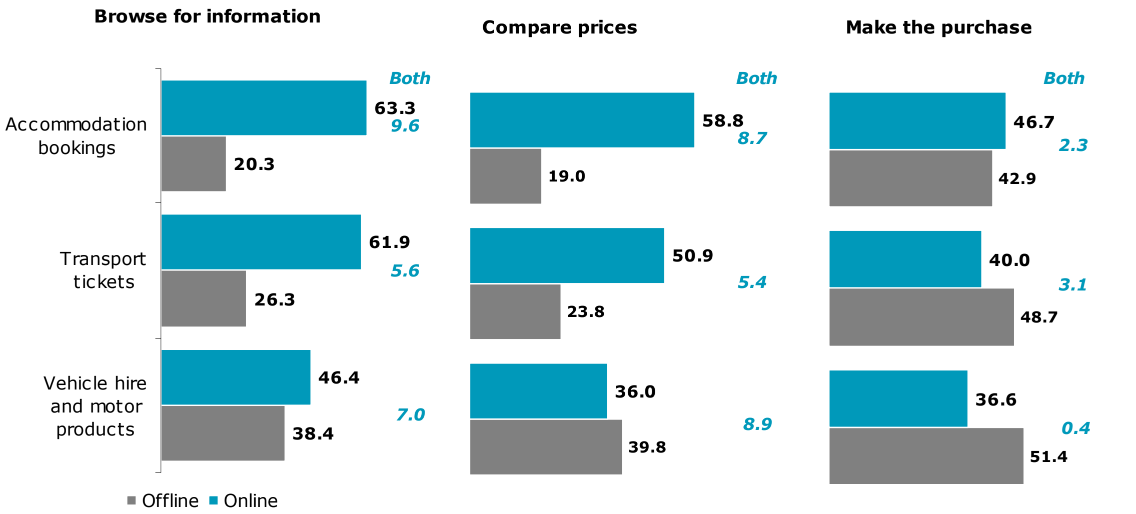
The tourism sector has a solid presence on the Internet, as evidenced by the fact that 2 out of 3 individuals (63.3%) search for accommodation mainly via the Internet and 58.8% of them compare prices mainly via this channel.

61.9% of Internet users who have bought transport tickets search for this information mainly via the Internet, and 4 out of them make the purchase most frequently via this channel.

For accommodation bookings the importance of this channel is even more notable.

46.4% of Internet users who have rented a car in the last year searched for the information mainly on the Internet. Additionally, one third of them compared prices or rented the vehicle online (36% in both cases).

Figure 12. TOURISM: Most frequent channel to search for information, compare prices and make purchases (%)



Base: Internet users who purchased the product (online or offline) in 2009

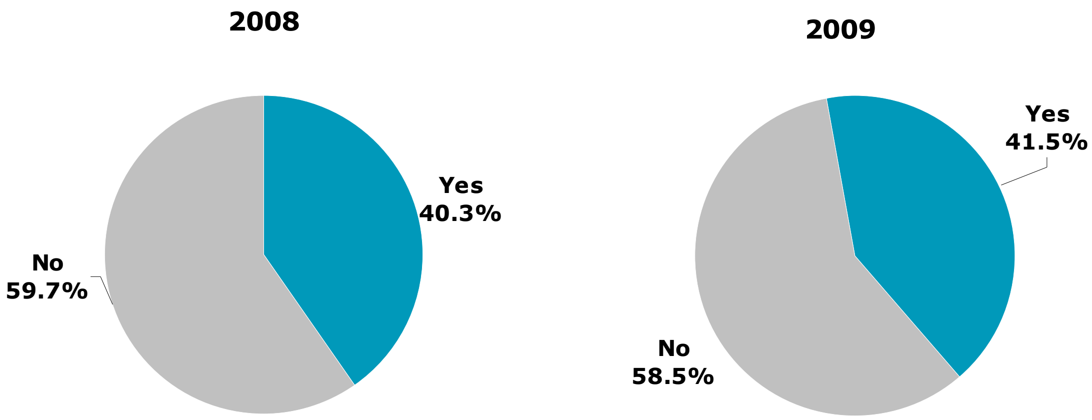
Source: Red.es Observatory

5. INTERNET PURCHASERS

Electronic commerce penetration

41.5% of Internet users claim to have made online purchases in 2009.

Figure 13. Have you purchased any products or services online in 2009? (%)



Base: All Internet users

Source: Red.es Observatory

The percentage of online purchasers experienced an increase of 1.2 percentage points compared to the previous year, from 40.3% in 2008 to 41.5% in 2009.

The 8,879,501 Internet purchasers in 2008 plus the 1,481,292 new purchasers for 2008 brings the current number of purchasers to 10,360,792.

Consideration of this figure from the viewpoint of the population as a whole - Internet users and non-Internet users - reveals that 26.5% of individuals aged 15 and over made online purchases.

Basic purchaser profile 2009

The purchaser profile corresponds to the following socio-demographic characteristics.

- Individuals aged between 25 and 49, particularly the segment aged between 35 and 49
- Residents in urban areas (more than 100,000 inhabitants)
- With a university education
- Of medium and medium-high socio-economic level
- Active full-time workers

Table 2. Socio-demographic profile of Internet users and Internet purchasers (%)

	2008		2009		2008		2009	
	Total Internet users	Have purchased	Total Internet users	Have purchased	Total Internet users	Have purchased	Total Internet users	Have purchased
Male	50.4	60	50.7	51.1	50.4	60.0	50.7	51.1
Female	49.6	40	49.3	48.9	49.6	40.0	49.3	48.9
AGE								
From 15 to 24	20.5	13.5	18.1	12.6	20.5	13.5	18.1	12.6
From 25 to 34	27.2	31.1	26.1	28.7	27.2	31.1	26.1	28.7
From 35 to 49	32.8	36.5	34.4	34.6	32.8	36.5	34.4	34.6
From 50 to 64	15.3	16.7	16.3	20.4	15.3	16.7	16.3	20.4
65 or over	4.4	2.2	5.1	3.7	4.4	2.2	5.1	3.7
EDUCATION								
Primary	4.8	4.2	5.2	2.7	4.8	4.2	5.2	2.7
Secondary	68.3	61.1	65.7	53.9	68.3	61.1	65.7	53.9
Higher	27	37	29	43.5	27.0	37.0	29.0	43.5
SOCIAL CLASS								
Upper + upper middle	27.6	36.3	32.8	41	27.6	36.3	32.8	41.0
Middle	45.4	47.3	42.5	44.9	45.4	47.3	42.5	44.9
Middle lower	22.9	14.9	20.4	11.9	22.9	14.9	20.4	11.9
Low	4.1	1.5	4.3	2.2	4.1	1.5	4.3	2.2
WORK ACTIVITY								
Full-time worker	53.6	67	51.9	58.4	53.6	67.0	51.9	58.4
Part-time worker	6.8	6.2	7.5	10.9	6.8	6.2	7.5	10.9
< 8 hours/week	0.5	0.2	0.8	0.7	0.5	0.2	0.8	0.7
Retired/pensioner	4.7	3.7	6.9	6.5	4.7	3.7	6.9	6.5
Unemployed/previousl y employed	7.6	5.1	10.8	7.6	7.6	5.1	10.8	7.6
University student	2.8	3.9	1.9	2.7	2.8	3.9	1.9	2.7
Disability pension	1.4	1.8	2	3.1	1.4	1.8	2.0	3.1
Housewife	7.1	4.1	6.5	4.8	7.1	4.1	6.5	4.8
Unemployed/seeking 1st employment	0.9	0.5	1	0.7	0.9	0.5	1.0	0.7
Non-university student	14.7	7.4	10.7	4.6	14.7	7.4	10.7	4.6
SIZE OF TOWN/CITY								
Less than 10 thousand	19.4	16	21.8	14.9	19.4	16.0	21.8	14.9
10 to 20 thousand	13	11.1	13.8	13.6	13.0	11.1	13.8	13.6
20 to 50 thousand	14.8	12.9	15.9	17.2	14.8	12.9	15.9	17.2
50 to 100 thousand	9.7	10.4	9.8	10.5	9.7	10.4	9.8	10.5
More than 100.000	43.2	49.5	38.7	43.9	43.2	49.5	38.7	43.9

Source: Red.es Observatory

In 2009 there is an increase (of 8.9 percentage points) in the number of women among Internet purchasers, compared to 2008. This fact contributes to homogenization of gender differences observed in previous years.

The main difference between the profile of online purchasers in 2009 and those of previous years is age. While the majority of purchasers remain in the age group of 25-49, in the last study the group of 35-49 experiences an increase. In 2009, the proportion of Internet purchasers aged between 50 and 64 increased by 3.7 points, which represents an important improvement for a group that was the least close to technology.

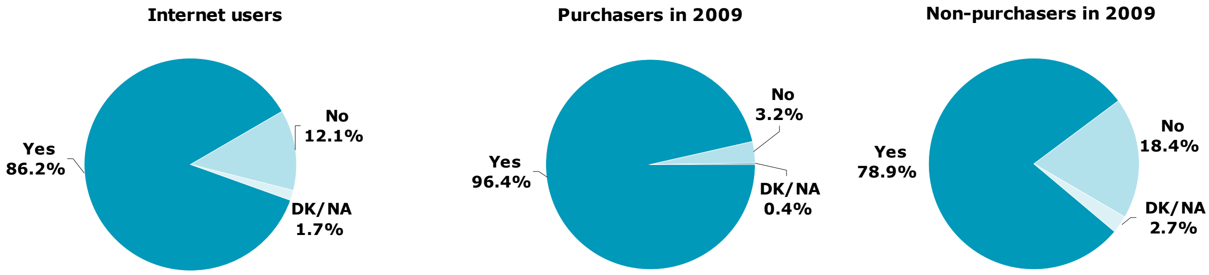
While in 2008, 84% of online purchasers belonged to high, medium-high or medium social classes, this percentage rises to 86% in 2009 (with the greatest increase recorded in the medium-high and high segments, from 36% to 41%).

In relation to level of studies, the proportion of purchasers with secondary and primary education falls, while the proportion of purchasers with tertiary education rises.

E-mail

In 2009, 86.2% of Internet users had e-mail. Although not always necessary, on many occasions online purchases require an e-mail address. Hence a clear difference can be seen between the online purchaser and non-purchaser groups in terms of e-mail use. Almost all (96.4%) online purchasers had an email account in 2009, whereas only 78.9% of non-purchasers had one.

Figure 14. Do you have e-mail? (%)



Base: Total Internet purchasers and non-purchasers

Source: Red.es Observatory

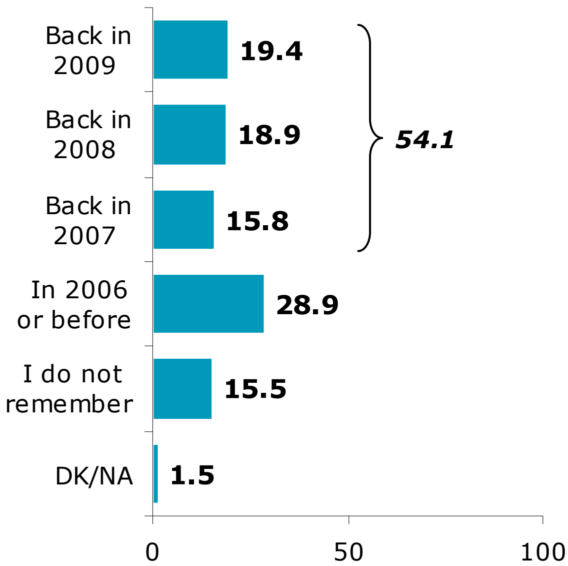
Individuals aged over 46, living in less populated towns/cities, with primary education and of low socio-economic level were the groups in which availability of e-mail was the least frequent.

5.1. Purchasing habits

5.1.1. Previous experience in making online purchases

Over half (54.1%) of online purchasers made their first e-purchase between 2007 and 2009. 28.9% of them made their first e-purchase in 2006 or previously.

Figure 15. When did you first make a purchase? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

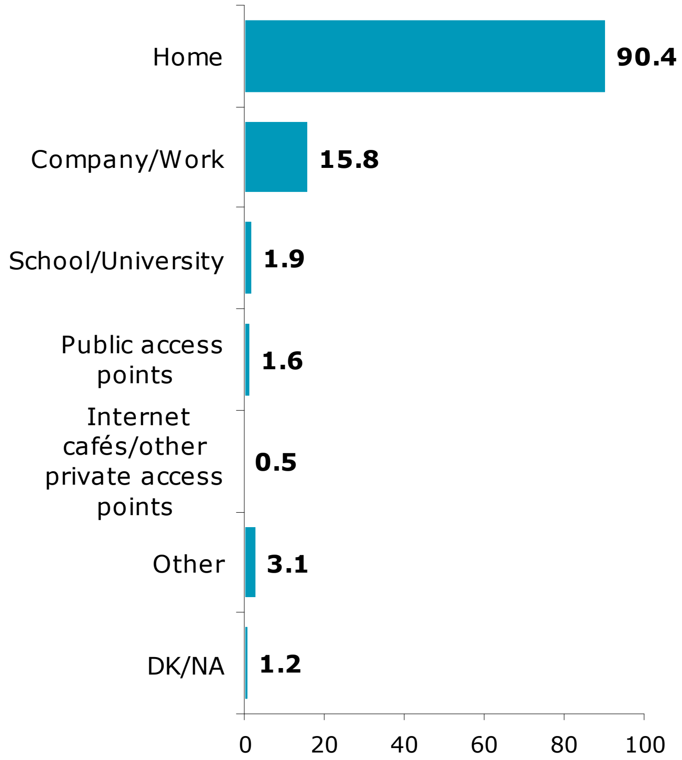
The profile of less experienced purchasers revealed the following characteristics:

- Women
- Aged between 15 and 24 and 65 and over
- Living in small municipalities (10,000 to 20,000 inhabitants)
- With primary education
- Of medium-low socio-economic level

5.1.2. Place where the Internet is accessed to make a purchase

Both the home and the workplace continue their upward trend as popular locations for making online purchases. At present, nine of out ten purchasers (90.4%) claim to make their purchases from home. The company, organisation or workplace, in a second level, continues rising while other locations have a residual representation.

Figure 16. Where do you usually make online purchases from? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

Purchases made from the workplace predominated among individuals aged between 35 and 49. Purchases from home were made particularly by individuals aged under 50 and residents of medium or large municipalities (between 20,000 and 100,000 inhabitants).

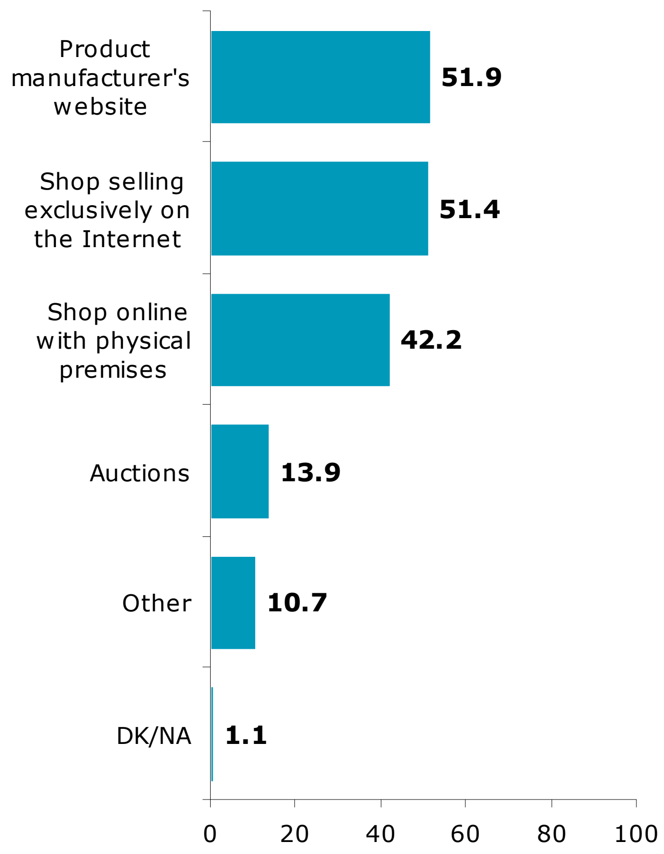
5.1.3. Places where online purchases are made

In respect to places where online purchases are made, the product manufacturer's website (51.9%) and the shops that sell exclusively online (51.4%) are currently the most popular portals. These have surpassed shops that sell online and also have physical premises (42.2%) for the first time.

Finally, auction websites and other portals lag behind in terms of use.

The profile of individuals who visited the manufacturer websites had the following characteristics: men aged under 25, residents of capitals and towns/cities with 100,000 or more inhabitants who have a high or medium-high socio-economic level.

Figure 17. Where do you usually make purchases on the Internet? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

5.1.4. The virtual shop

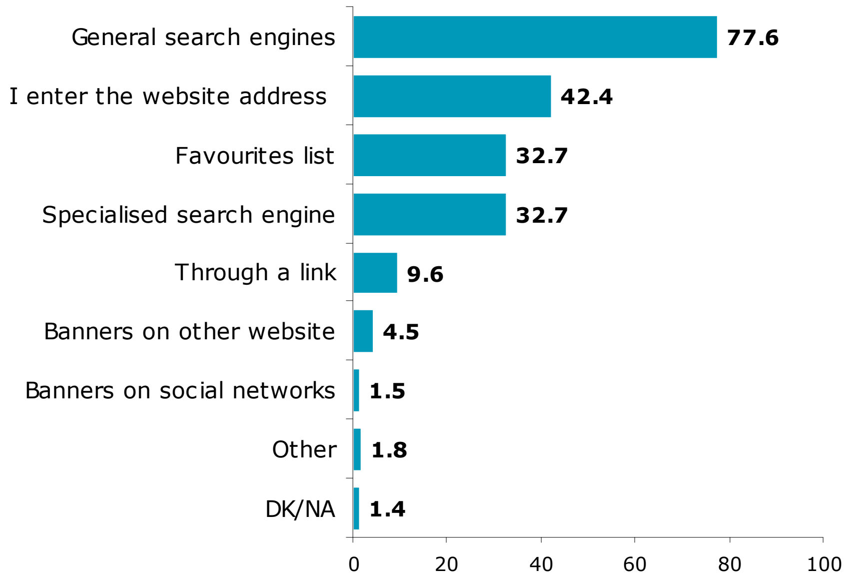
Accessing the virtual shop

As in previous years, general search engines were the most frequent means of finding out about and accessing virtual shops. Specifically, 77.6% of purchasers accessed the URL address of the website where they made their online purchases through one of these search engines.

To a lesser extent and with a lower incidence than general search engines, purchasers use the shop website address (42.4% of them directly typed the URL address in the browser navigation bar).

The prevalence of search engines over the introduction of the shop website address in the browser navigation bar can be explained by the increasing offer of websites offering the same products: though Internet users are increasingly more experienced, search engines allow comparative analyses, which represents an added value of the Internet.

Figure 18. How do you eventually access the website where you purchase products or services? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

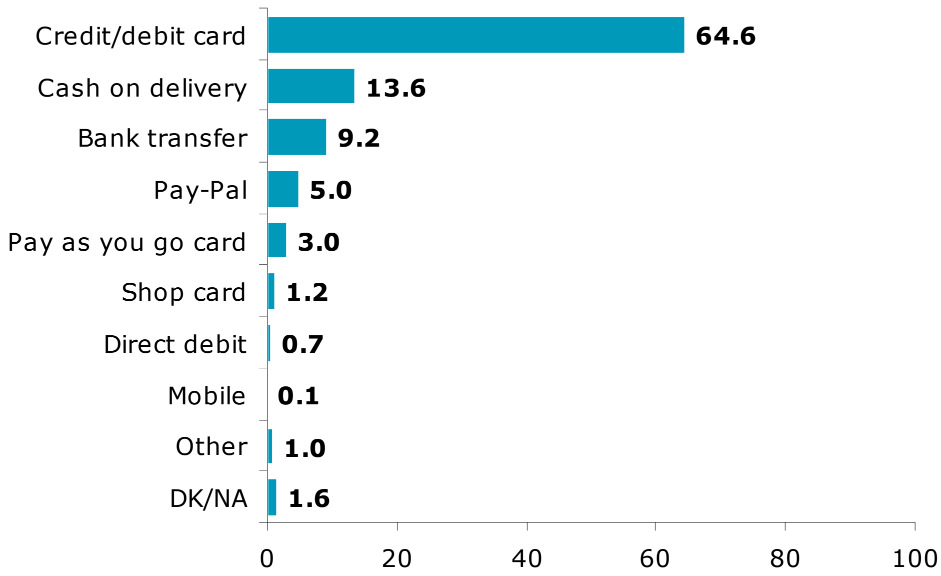
Access via an e-mail link (9.6%), or a specialised search engine or an address of the favourites list (32.7%), were less usual practices. The use of banners incorporated in social networks is the least used method.

5.1.5. Methods of payment

Payment methods used

Two out of three online purchasers (64.6%) preferred to pay for online purchases by credit or debit cards. This preference records a stable trend in the last years.

Figure 19. When you make an online purchase, what payment method do you prefer to use? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

Cash on delivery (13.6%) is the second preferred option, although still way behind card payment. Bank transfers, in third place, are the preferred method for 9.2% of Internet purchasers and Pay-Pal for 5% of them. Pay as you go cards, customer cards, direct debit, and mobile phones are methods almost residual and with a very low incidence.

Women, individuals aged under 34, individuals of medium-low socio-economic level and those living in small municipalities (between 10,000 and 50,000 inhabitants) opted for cash on delivery in a greater proportion than the total purchasers, while men, individuals aged over 35, individuals with university studies and individuals with a high or medium-high socio-economic level mostly preferred credit cards.

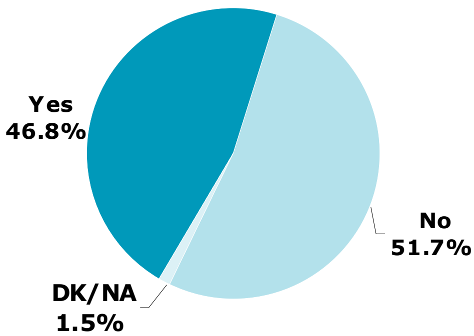
Payment with credit/debit card

For some years now, online bankcard payment is protected by a security system requiring a password used exclusively for making purchases and operations and transactions via the Internet.

This password guarantees the purchaser's security. In addition, a personal message is offered (which only the bank and the customer know) which guarantees that the transaction is legitimate and eliminates the possibility of fraud.

This security password or PIN is widely used and almost half (46.8%) of purchasers who paid via credit or debit card used this option, entering a PIN or personal secret number to confirm the operation.

Figure 20. If you make a purchase using a credit or debit card, do you use a PIN or secret number to confirm the transaction? (%)

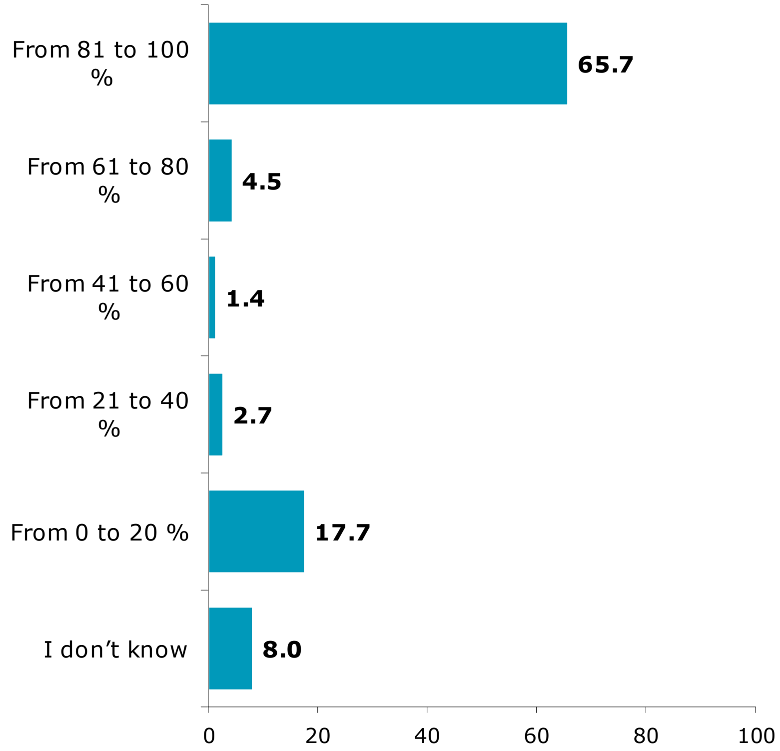


Base: Have purchased in 2009 and paid via bankcard

Source: Red.es Observatory

Credit or debit cards are the favourite method for e-purchases and also the most used by Internet users. 65.7% of Internet purchasers pay at least 80% of their purchases with credit or debit cards. But still a percentage of 17.7% of Internet users limit their card payments to 20% of their online purchases.

Figure 21. Of your total expenditure in Internet purchases ¿what percentage was paid by credit or debit card? (%)



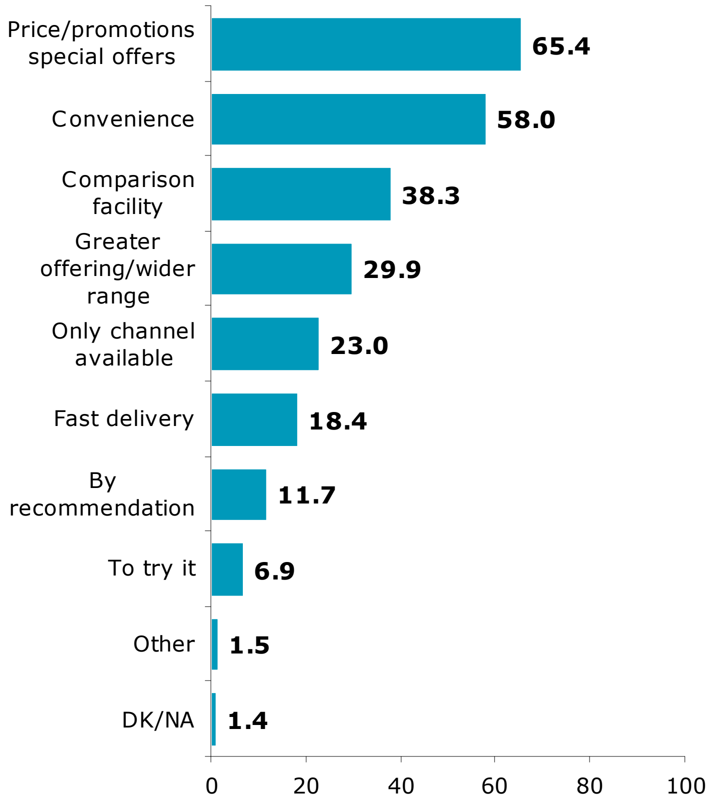
Base: Total Internet purchasers

Source: Red.es Observatory

5.1.6. Reasons for buying online and relevant factors

The main reason for buying online is the price of the products and services that are offered on the Internet. Thus, 65.4% of Internet users purchase online because of the price and offers, which are not available in physical premises. Convenience (58%) and ease of comparing characteristics and prices of products and services (38.3%) also play an important role in online purchases.

Figure 22. Main reasons for buying products/services on the Internet instead at a physical shop in 2009 (%)



Base: Total Internet purchasers

Source: Red.es Observatory

6.9% of Internet users say that they bought online "to try it". This low percentage is due to the high specialisation of online purchases made by Internet users.

Recommendations/prescriptions play also an increasingly important role in this: 11.7% of the purchasers recognise buying on the Internet because somebody recommended it to them.

The purchaser profile is very varied, therefore, it is important to know the factors involved in online purchasing.

While convenience is the main reason to buy online, the benefits of the Internet for information searches and comparison of prices are also valued by Internet users.

The possibility to bid or to bargain at some specialised shops is not an incentive to buy online, and Internet users do no consider it important.

Interaction with other consumers is also not a relevant incentive.

Figure 23. Indicate the importance of each of the following factors when buying on the Internet (% of importance)

	Importance of online purchase
Convenience of online purchases	
Buy from home	46.4
Avoid dealing with sellers	14.9
Receive products at home	39.1
Buy at anytime of the day/night	48.5
Buy at once	29.2
Avoid crowds	35.1
Finish purchases quickly	30.2
Avoid moving from one shop to the other	38.6
Find things quickly	41.3
Online auctions / bargains	
Bid for a product in an auction	5.8
Win the bid	6.9
Negotiate the price with the shop	4.7
Promulgation role	
Search for the best offers	37.6
Find and get a real bargain	36.9
Compare to find the best value for money	40.1
Vanguardism	
Keep updated about new trends	13.2
Create a new "image" for me or my home	8.6
Have the latest in fashion or new products	4.8
Membership	
Chat with other consumers who share my interests	7.1
Find other consumers who are interested in the same products as me	7.5
Interact with other online purchasers	5.0
Stimulation	
Interact with interesting websites	9.2
See interesting sites while I buy	9.8
Customisation	
Receive information about new products of my interest	13.5
Keep watch about deals and special offers	17.3
Receiving emails on new products and offers	16.9

Base: Total Internet purchasers

Source: Red.es Observatory

5.2. *Online purchases*

5.2.1. Internet purchases by type of product or service

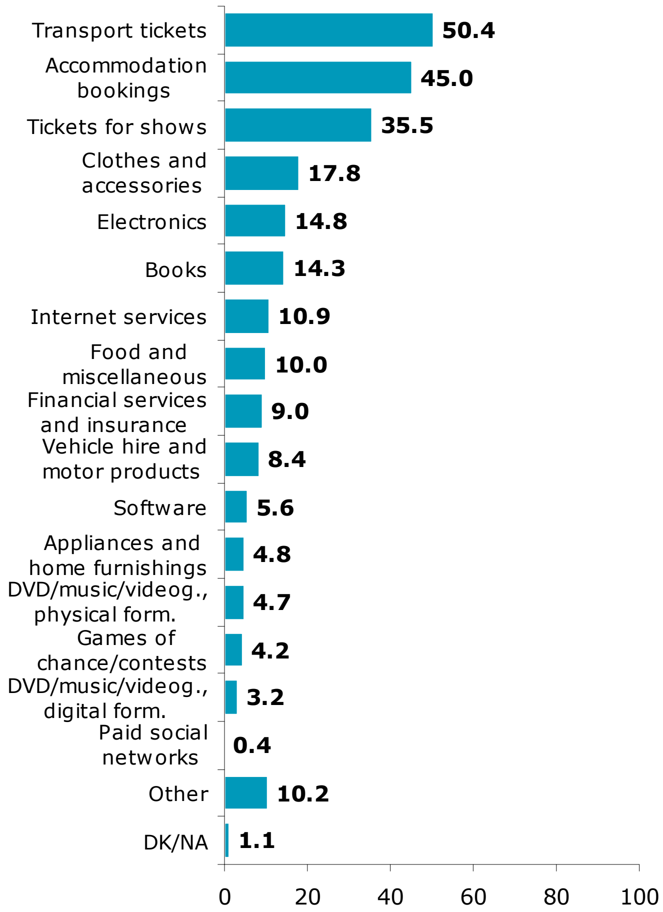
Tourism and entertainment are the key sectors in on-line purchase. Specifically, tickets for transport (plane, train, bus, boat…) and shows, and hotel bookings. They are at the top of the ranking in number of online purchases in 2009.

Other types of products with a high demand are electronics, clothes and accessories, and books.

Digital products and services such as DVDs/music/videogames in physical or digital format, and Internet games of chance and contests record a lower incidence (4.7%, 4.2% and 3.2% respectively)

Pay social networks close the ranking of products bought on the Internet, as niche products.

Figure 24. Goods and services purchased on the Internet in 2009 (%)



Base: Total Internet purchasers

Source: Red.es Observatory

Focusing on socio-demographic aspects, we can observe that some profiles prefer certain products based on their preferences, life style, or specific needs related to their place of residence.

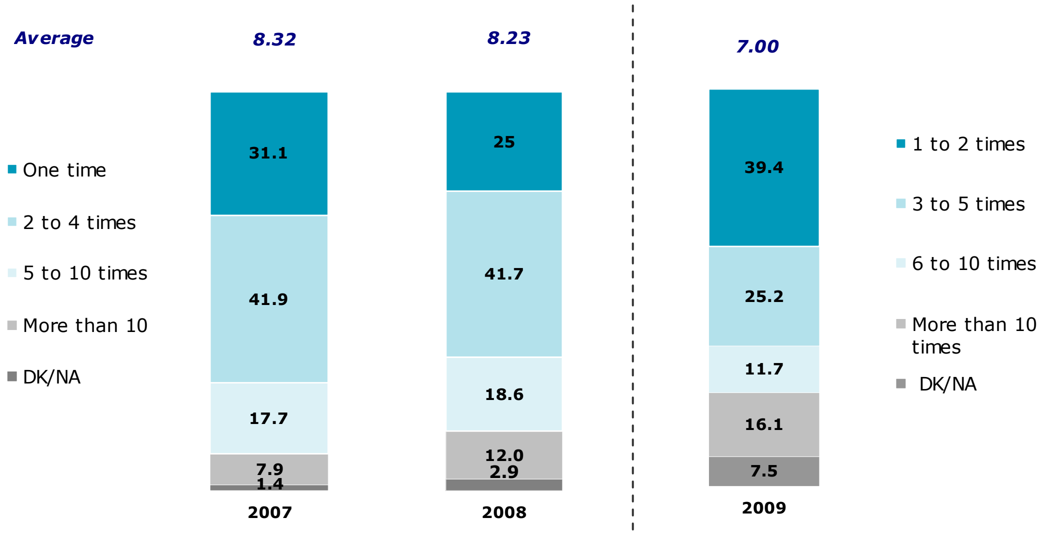
- Men prefer technology products (such as electronics, software and Internet services), DVDs/music/videogames (in physical or digital format) and financial services or insurance. However, women prefer transport tickets, clothes and accessories, food and general hardware, and appliances and home furnishings.
- The youngest are the ones who buy more Internet services.
- Individuals aged between 25 and 34 prefer accommodation bookings and vehicle hire, software and electronics, games of chance and contests.
- Individuals aged between 35 and 49 purchase more books, tickets for shows, clothes and accessories, DVDs/music/videogames, financial services and insurance, and appliances and home furnishings, than other groups.
- Individuals aged between 50 and 64 mainly buy books, financial services and insurance.
- Individuals of middle class prefer buying books, clothes and accessories, Internet services and electronics on the Internet.

5.2.2. Number of purchase transactions

Internet purchases have made 7 online purchases on average in 2009. This represents a drop compared to 2008, when the average was 8.2.

The most active purchaser segment in 2009 was comprised of individuals aged between 25 and 34 (while in 2008 were individuals aged between 15 and 24) who made 8 purchases per year on average, resident in municipalities of more than 100,000 inhabitants and of upper class.

Figure 25. How many times did you make online purchases in 2009? (%)



Base: Have purchased in 2009 / 2008 / 2007

**** Data obtained with a new calculation method, as described in the Technical Specifications.***

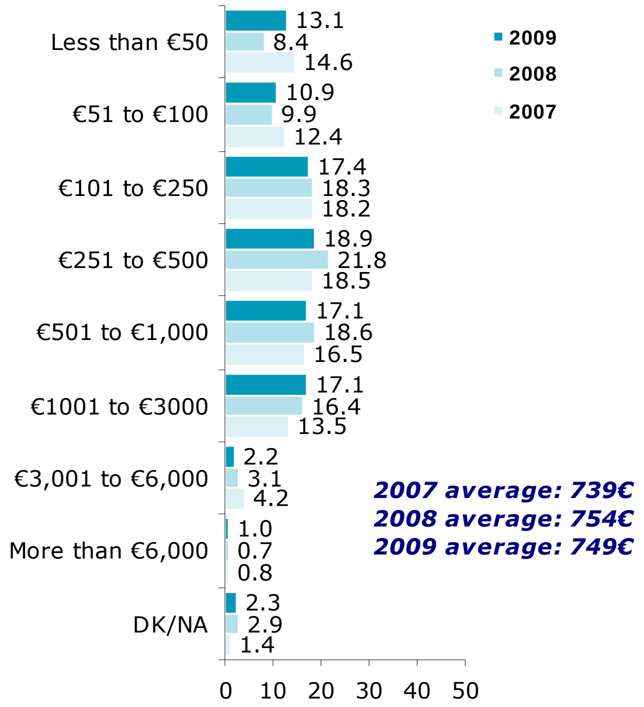
Source: Red.es Observatory

5.2.3. Average expenditure

Internet users who made online purchases in 2009 spent an average of €749. The expenditure has remained stable over 2007, 2008 and 2009.

This year, the calculation formula for annual average expenditure has been modified with the aim of obtaining more precise data, and data from the two previous years have been recalculated. The new formula is based on the expenditure reported for an extensive list of 17 product categories. The change has been applied both for the calculation of costs and the number of purchases made. More details about this methodological change can be found in the technical specifications.

Figure 26. In the last year, approximately how much have you spent on Internet purchases? (%)



Base: Total Internet purchasers

The data in this graph/table are calculated using a new methodology, as described in the technical specifications of this report

Source: Red.es Observatory

With regard to expenditure tranches, the tranches €101-250 and €1001-3000 are homogeneously distributed, while those under €100 record lower percentages. The percentage of purchasers who expended €3000 or more is practically residual compared to previous years.

The analysis of average expenditure based on socio-demographic variables reveals a significant difference between men and women; women recorded a more conservative/thrifty behaviour and spent an average of €50 less than in 2008, while men spent €48 on average.

The age variable is also a differentiating factor. The average expenditure of young people (aged under 25) and senior citizens (aged 65 and over) was considerably lower, averaging €307 and €423 respectively. However, individuals aged between 35 and 64 spent more than the average. Specifically, individuals aged between 35 and 49 spent €862 on average, whilst those aged between 50 and 64 spent as much as €1,023.

With regard to town/city size, the figures show that in medium-sized cities (20,000 to 50,000 inhabitants) average expenditure was lower than in the other cities and below the national average. The average expenditure of individuals with university studies (€1,076) and individuals of high or medium-high socio-economic level (€1,042) was also considerably higher than that of the rest of the groups analysed.

TABLE 3. SOCIO-ECONOMIC PROFILE OF THE VOLUME OF ONLINE PURCHASES

	AVERAGE EXPENDITURE (€)
TOTAL	**749**
SEX	
Male	797
Female	699
AGE	
From 15 to 24	307
From 25 to 34	651
From 35 to 49	862
From 50 to 64	1023
65 or over	423
SIZE OF TOWN/CITY	
Less than 10 thousand	655
10 to 20 thousand	451
20 to 50 thousand	597
50 to 100 thousand	748
more than 100 thousand and cap.	935

** DATA OBTAINED WITH A NEW CALCULATION METHOD, AS DESCRIBED IN THE TECHNICAL SPECIFICATIONS.*

SOURCE: RED.ES OBSERVATORY

5.2.4. Average number of purchase transactions and expenditure on items acquired

Internet purchasers were asked this year for the first time about the number of items bought and the number of purchase transactions made.

The most important products and services in terms of average number of purchase transactions and annual average expenditure per purchaser were:

- Transport tickets: it is the seventh most important product in average number of purchase transactions (3.05) and the second in average expenditure (€532), together with accommodation bookings. While the number of transactions has decreased compared to the previous year, the average expenditure has increased. The average number of tickets bought was 4.29.
- Financial services: Historically, and also this year, this is the service with the highest average expenditure (€2,698). This year, it is also the third most important service in number of average purchase transactions (3.55). However, both indicators have dropped with regard to 2008. On average, purchasers bought 6.52 financial or insurance services.

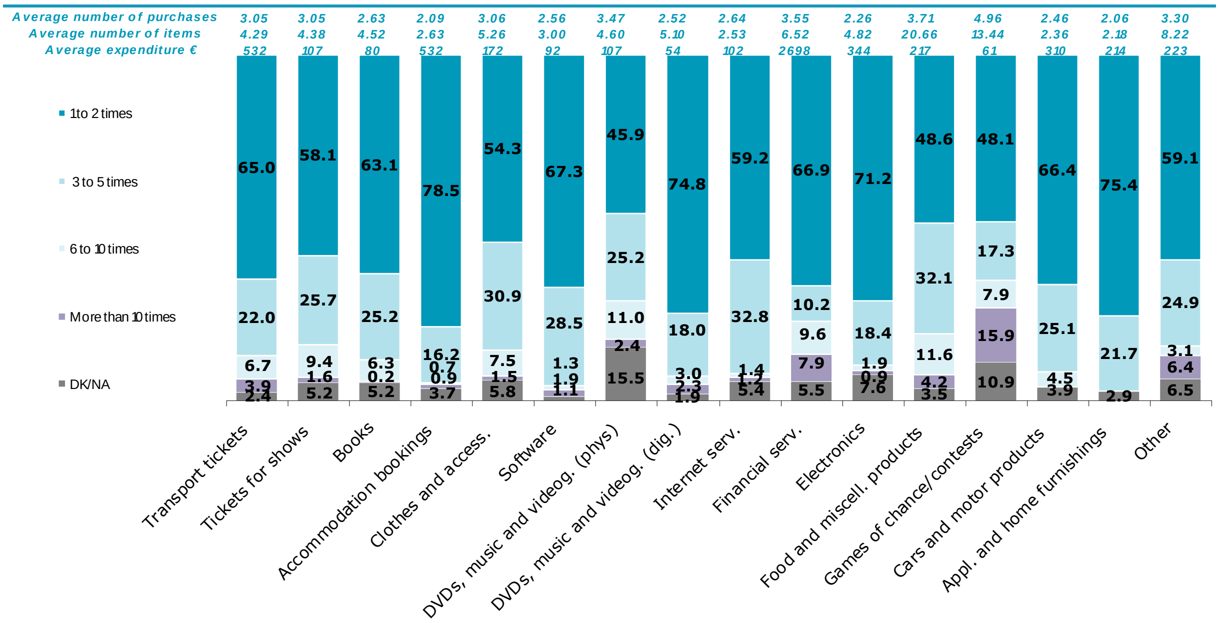
  It should be noted that expenditure in financial services is not included in the calculation of total B2C expenditure, since it is a service that might include transactions that cannot be fully accounted as expenditure.
- Food and miscellaneous products: it is the second most important product in average number of purchase transactions (3.71) and the sixth in average expenditure (€217) in 2009. There is an increase in the number of transactions per year and a decrease in average expenditure with respect to 2008. Food and general hardware are the stars in number of items purchased with an average of more than 20 products.
- DVDs, music and videogames in physical format: it is the fourth category in average number of purchase transactions (3.47), with an average expenditure of €217 and 4.6 articles per purchaser. This year, we have divided this category into physical and digital format products. The last one has a lower average expenditure (€54) but a higher number of items bought (5.1).

Games of chance, though having a high number of purchase transactions (4.96) and of items bought (13.44) record one of the lowest averages in terms of expenditure (€61).

There is a decrease in the number of purchase transactions with respect to 2008 in all product categories. However, this decrease has been totally or partially compensated by an increase in the average expenditure in many categories. transport tickets, accommodation bookings, electronics, cars and motor products, and clothes and home furnishings.

On the contrary, average expenditure on tickets for shows (€107), Internet services (€102), food and general hardware (€217), games of chance (61€), and appliances and home furnishings (€214) falls compared to 2008.

Figure 27. How much did you spend on each product purchased? How many times did you purchase each type of product? (%)



Base: Total Internet purchasers

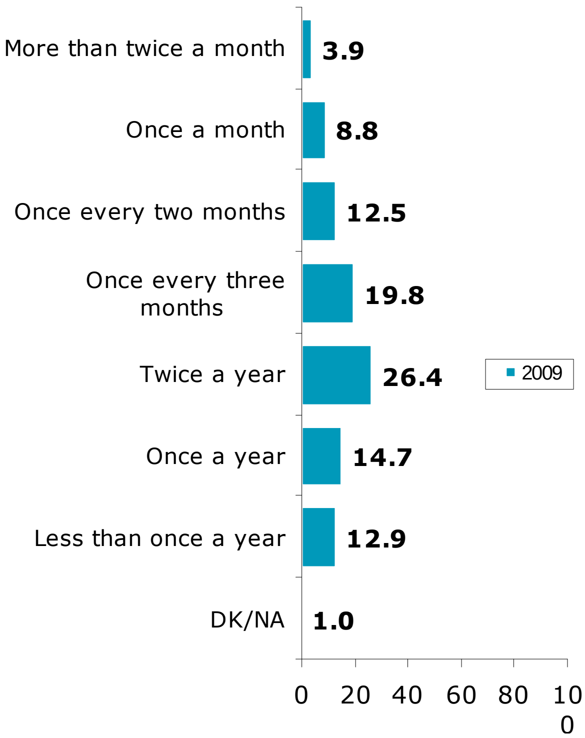
Source: Red.es Observatory

5.2.5. Online purchase frequency

For the moment, online shopping can be considered an infrequent activity. 3.9% of Internet users shop online once every week or fortnight, and 1 in 4 do so only twice a year. This frequency is expected to rise in the future, as confidence in making large purchases increases along with the ease of more everyday shopping.

On the other hand, 12.9% of the interviewed purchasers make purchases less than once a year.

Figure 28. How often do you make online purchases? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

Purchase frequency was higher in the following groups: men, living in small towns/cities with 10,000 to 20,000 inhabitants, individuals with a high or medium-high socio-economic level.

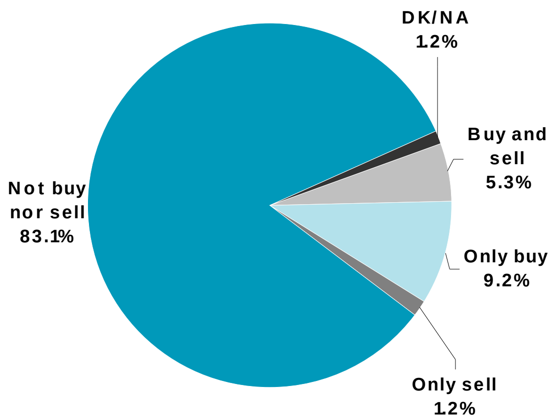
5.2.6. Private buying and selling

To cover the field of electronic commerce more extensively, in this edition we have included a section for online trade between consumers: C2C (consumer to consumer) electronic commerce.

Internet transactions between individuals are becoming increasingly significant in the context of e-commerce. One thing driving these transactions are auction sites, and sites that connect private individuals for the exchange of goods and provide the technology platform to make the online purchase.

15.7% of all Internet purchasers claim to have conducted some kind of transaction between individuals (buying, selling or both). Broken down, 9.2% of Internet purchasers show more passive behaviour (purchase only), 1.2% only sell, and 5.3% carry out two-way transactions (both the purchase and sale of a good or service to other individuals).

Figure 29. Have you purchased or sold any products or services to an INDIVIDUAL via the Internet? (%)



Base: Total Internet purchasers

Source: Red.es Observatory

Price is one of the most important incentives to buy products or services from individuals, which is asserted by 63.5% of the purchasers. Being the only available means (36.5%) or greater offering / wider range of products (25.4%) are also important reasons. Other purchasers bought from an individual because somebody recommended it or to try it

.

Figure 30. Main reasons for buying products/services from an individual via the Internet (%)

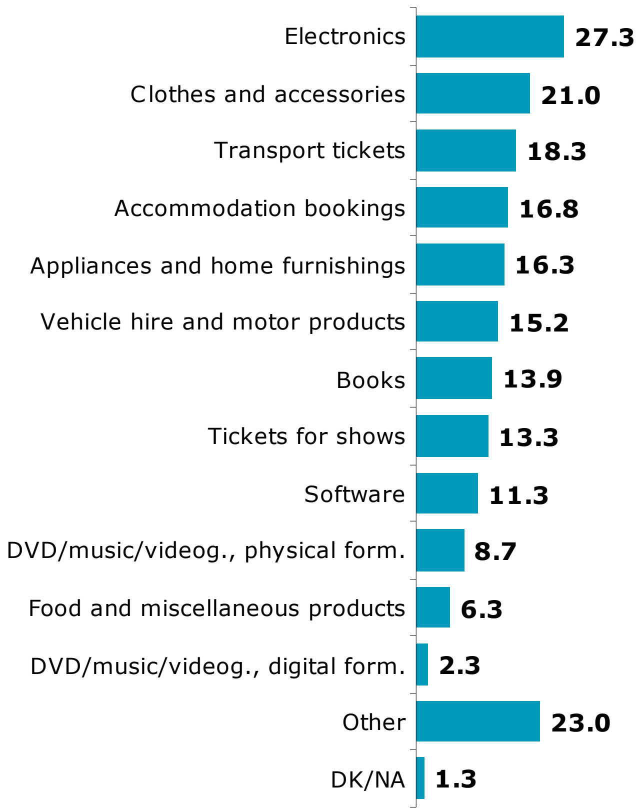
Base: Total Internet users who bought from an individual

Source: Red.es Observatory

The variety of products purchased from consumer to consumer via the Internet is homogeneous, though electronics stand out as the most purchased product category, with a percentage of 27.3% in 2009. In second place we find clothes and accessories with a percentage of 21.0% of the total.

DVDs/music/videogames in digital format (2.3%) food and general hardware (6.3%) are less frequently traded between individuals.

Figure 31. Products/services bought from an individual via the Internet (%) in 2009



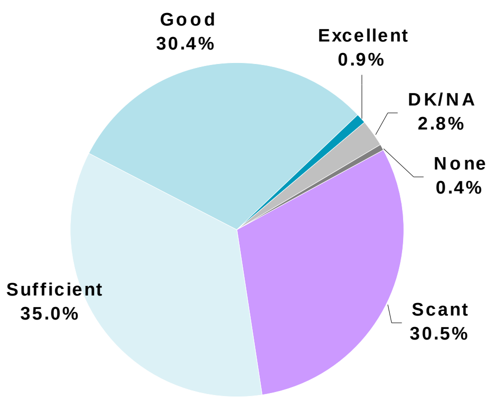
Base: Total Internet purchasers

Source: Red.es Observatory

5.3. Evaluation of the Spanish offer of products and services on the web

The presence of Spanish companies on the Internet is considered as good or sufficient by 65.4% of e-purchasers to buy online. The distribution of opinions between good, sufficient and poor is quite similar, with one-third of purchasers falling into each category. On the other hand, only 0.9% of purchasers say that the presence of Spanish enterprises on the web is excellent.

Figure 32. Presence of Spanish companies on the Internet (%)



Base: Total Internet purchasers

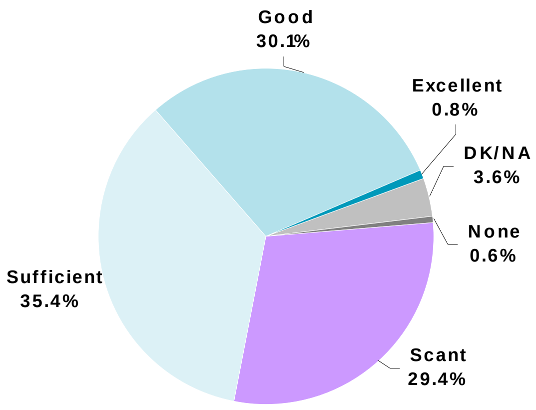
Source: Red.es Observatory

Individuals aged 46 and over, living in municipalities with 20,000 to 50,000 inhabitants, purchasers with university studies and certificate of primary studies, and retired individuals/pensioners were those who valued the presence of Spanish companies on the Internet most positively in terms of purchasing their products online (good or excellent).

The data are quite similar in relation to the presence of Spanish enterprises on the Internet and the goods and services offered by these sites. Internet purchasers are satisfied with the goods offered by Spanish enterprises on the web, with 65.5% saying that this presence is good or sufficient, while 0.8% claim that the selection of Spanish goods is excellent.

Women aged 65 and over, living in towns/cities with 20,000 to 50,000 inhabitants, were especially satisfied with the variety of products and services offered by Spanish companies on the Internet. Young people are less satisfied with this aspect.

Figure 33. Variety of the products or services offered by Spanish companies on the Internet (%)

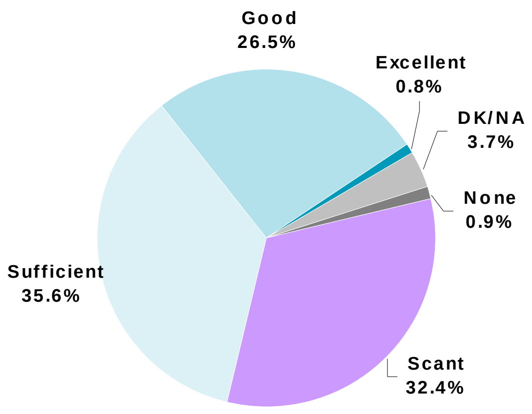


Base: Total Internet purchasers

Source: Red.es Observatory

Internet purchasers do not rate the availability of Spanish goods on the Internet as well as the presence of enterprises. 26.5% say that the presence of Spanish goods on the Internet is good, while 30.4% claim that enterprise presence on the Internet is good.

Figure 34. Presence of Spanish products on the Internet (%)



Base: Total Internet purchasers

Source: Red.es Observatory

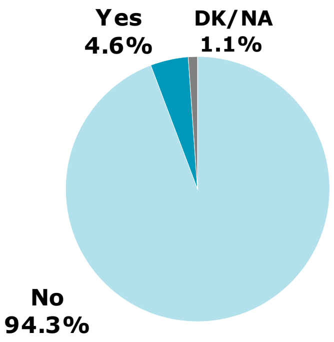
Women, people aged over 65, residents of towns with populations between 20,000 and 50,000 inhabitants, and residents of provincial capitals most highly rate the presence of Spanish goods on the Internet.

5.4. Satisfaction with Internet purchases

Problems with online purchases

Of Internet purchasers, 4.6% had problems with their electronic shopping during the last two years (2008 and 2009).

Figure 35. Have you ever had problems with your online purchases in the years 2008 and 2009? (%)



Base: Total Internet purchasers

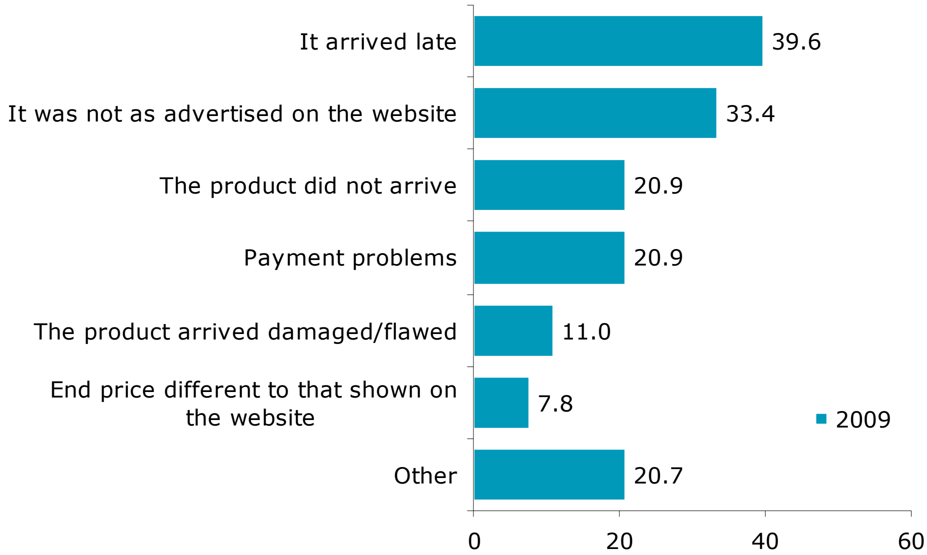
Source: Red.es Observatory

Those over 65 and those living in capital cities have more problems with their online shopping than other groups.

If last year, the main problem with online purchases is that the product or service acquired did not match that offered on the website, This year, specifically, the main problem reported was a delay in order delivery, with almost four in ten (39.6%) experiencing this type of situation.

The second major problem, observed in 33.4% of cases, was that the purchased product did not correspond to what was offered on the web.

Figure 36. What type of problems have you had with Internet purchases?



Base: All Internet purchasers who had problems with their purchase (4.6% of all purchasers)

Source: Red.es Observatory

Logistical problems are the most important: 39.6% of the purchasers who experienced problems with their online purchase declared that the product arrived late and 20.9% said that they did not receive the product.

In other occasions, the product received by the purchaser was not as advertised on the website. This affected one third of purchasers with problems. In the study this year we did not have enough cases to assess this incidence in detail.

Finally, payment problems were also frequent, mainly general payment problems (20.9%) but also inconsistencies between the final price and the price displayed on the web page (7.8%).

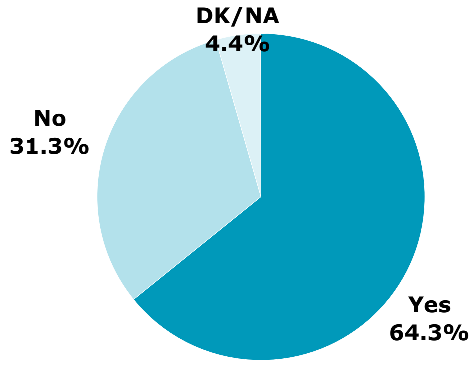
Complaints

The number of people who have filed a claim for online shopping problems is higher than the number of Internet users who have had problems but have not filed a claim (64.3% vs. 31.3%). More than six out of ten affected users (64.3%) chose to make a complaint. When filing a claim, most users resort to the customer service section of the site that sold the good or service (90.3%).

Figure 37. Complaints due to problems relating to online purchases

¿Have you filed a claim?

Base: Internet purchasers who had problems with their purchase

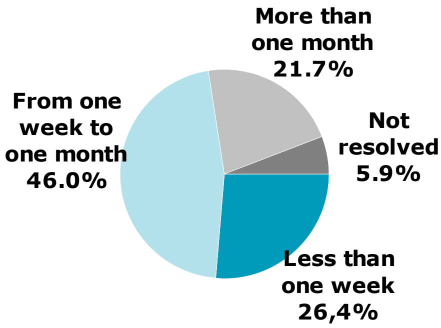


To whom?	
Claim formula	
	%
The customer care service of the company that sold me the product/service	*90.30%*
I complained to a user association	-
I complained to a public administration entity	*4.40%*
Paypal	-
Other	*5.30%*

Source: Red.es Observatory

Almost all claimants (94.1%) got the resolution that they had expected. Conversely, 5.9% did not get the desired resolution. 46% of those who filed claims stated that their claim took between a week and a month to resolve.

Figure 38. Time to resolve claims (%)



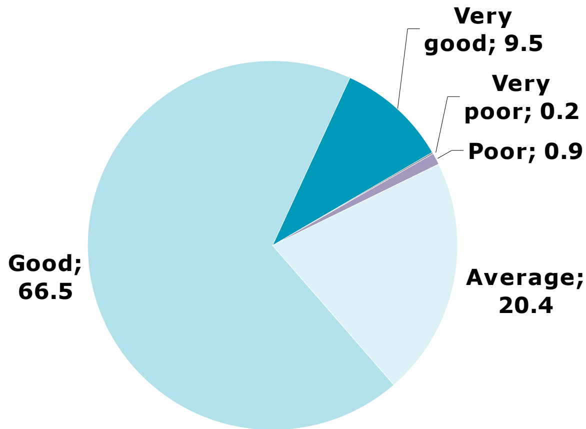
Base: Total Internet purchasers

Source: Red.es Observatory

Evaluation of delivery service

76% of the purchasers declare that the online order delivery service is good or very good. The number of individuals who declare order delivery to be "alright" has increased since last year from 11% to 20.4%. Only 1.1% of respondents stated that order delivery is very poor or poor.

Figure 39. In general, how would you rate the Internet order delivery services? (%)



Base: Total purchasers

Source: Red.es Observatory

Particularly women, individuals between 15 and 24 years, and residents of towns with between 10,000 and 20,000 inhabitants did not declare themselves to be happy with the delivery of online orders.

5.5. Quality seals

Internet seals of quality are designed to show users that the entities exhibiting these seals offer superior commitment in the activities offered on their websites and in their advertising and financial transactions, with high levels of protection of user rights and interests.

In the Spanish market, there are several officially recognised seals of quality, but the most firmly established - since 2003 and supported by the Internet sector - is the Confianza Online Seal, with which 700 entities are associated. Confianza Online is based on a Code of Ethics which includes the highest standards in the areas of interactive advertising, electronic commerce, data protection, accessibility, usability and child protection. The brand enables entities that meet the entire series of ethical and legal requirements embodied in Confianza Online's Code of Ethics to be identified.

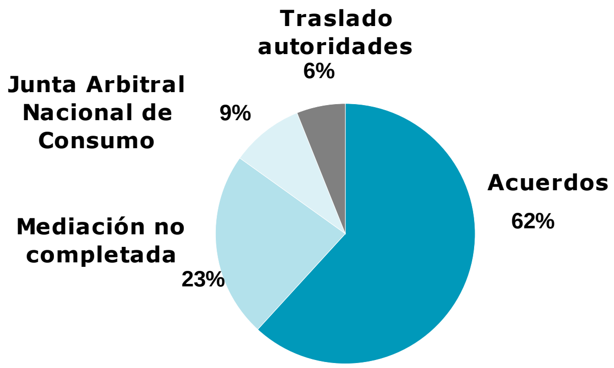
A user who accesses a website that includes the Confianza Online Seal can also submit claims through the extrajudicial system for dispute resolution, a free, fast and efficient Confianza Online system, which is recognised by the European Commission.

Claims may be filed via web form, fax, e-mail or postal mail. Processing depends on the subject of the claim; e-commerce complaints require a 7-day online mediation process in which a Mediation Committee attempts to get the parties to reach an amicable settlement. Only when that deadline is met without reaching an agreement will binding arbitration proceedings be initiated for the company before the National Consumer Arbitration Board. If the company does not support Confianza Online, the case will move to consumer authorities. In the case of interactive advertising claims, the suit goes before the Autocontrol Association; if it is not successful in a primary phase of mediation, it goes before the Advertising Jury.

In 2010 data, 62% of the claims handled by the Secretary of Confianza Online for electronic purchases and interactive advertising were resolved within a period not exceeding 10 days through an online mediation agreement.

Confianza Online is promoted by two private entities: The Spanish Association of the Digital Economy and the Association for the Self-Regulation of Business Communication (Autocontrol), as well as by the Public Corporate Entity Red.es, dependent on the Ministry of Industry, Tourism and Trade.

Figure 40. Result of e-commerce complaints in 2010 (%)



Base: Claims handled by Confianza Online in 2010

Source: Confianza Online

5.6. *Improved offer of online products and services to increase online purchases*

Price sensitivity among Spanish Internet users has increased, with 71.5% saying that lowering prices is the main change that should be enacted in order to increase online shopping. To put it in context, last year this was the third most suggested improvement, while this year it is number one. Continuing with the economic aspect, more than half of Spanish Internet users (52.9%) say that shipping charges are a deterrent, and that their elimination would lead to an increased volume of online shopping.

The mistrust generated by buying goods that can not be seen physically at the time of purchase creates a barrier in the development of online shopping, and according to 52.1% of Internet purchasers, online retailers should offer more back-to-depot guarantees for returning their items.

The fear of a lack of security in online shopping has increased since last year. When considering factors that would enhance online shopping, 51.2% of respondents request improvements in payment security systems.

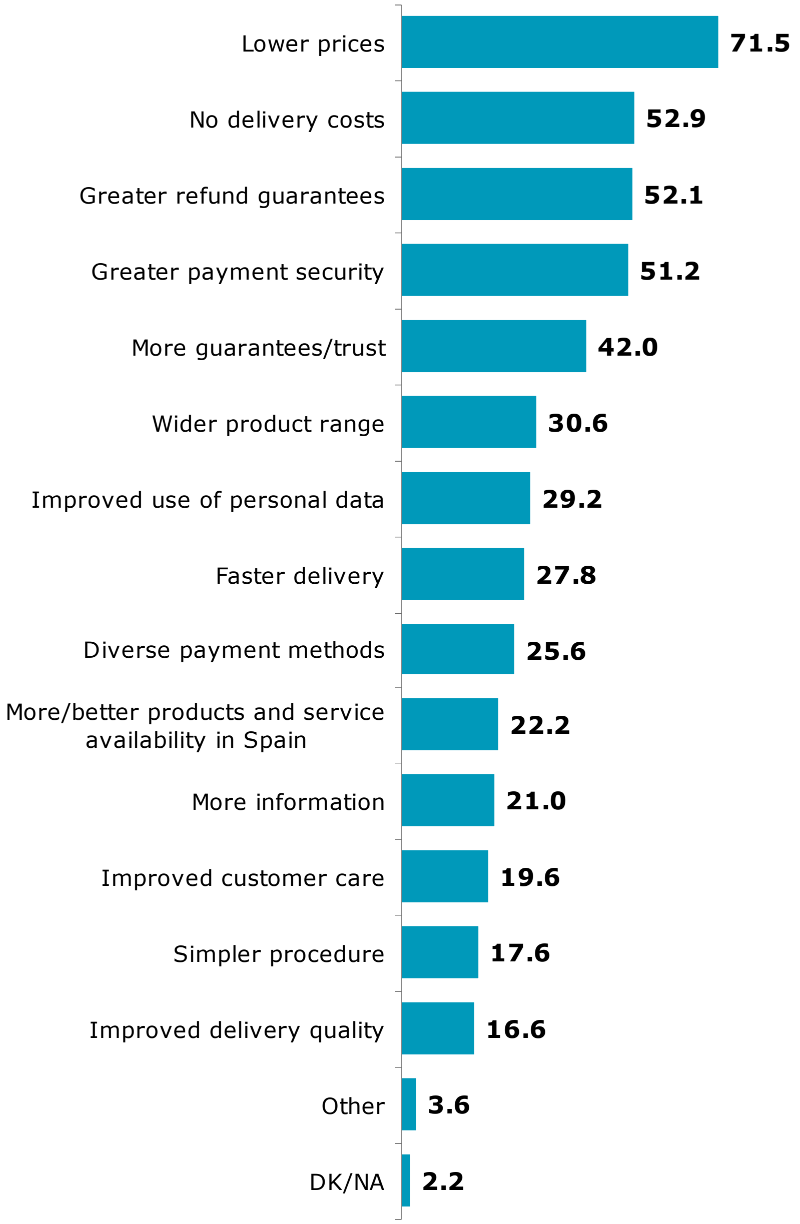
Purchasers would like to see improvement of other aspects such as a more diversified offer (30.6%) and a better use of personal data (29.2%). They also request faster delivery times (27.8%) and more variety in payment methods (25.6%), among other things.

Of the five improvements that Internet purchasers think must be made in order to increase the volume of purchases, the first mentioned are lower prices and payment security.

Among the different socio-demographic profiles, certain interesting data were observed.

- Price sensitivity is widespread among both sexes; while men claim that prices should be lower, women place more emphasis on eliminating shipping charges when making a purchase.
- Young people (under 35) request more return-to-depot guarantees.
- Middle class purchasers would make more purchases than the rest if they found a greater variety of products on the network.

Figure 41. What do you believe should be improved in order for you to make more Internet purchases in the future? (%)



Base: Total purchasers

Source: Red.es Observatory

5.7. Purchases made via mobile phone

In this section the purchase or download of goods and services via mobile phone is analysed. This activity is not included in this study within the sphere of B2C e-Commerce, due to which the generated expenditure does not affect B2C sales, nor do the users of said activities are considered to be B2C purchasers.

29.4% of Internet users acquire goods or services via mobile phone. It is mainly young people, people with secondary education or who have not finished their university studies, or who are of low socio-economic level, who acquire goods or services via mobile phone.

The purchase of ringtones and songs via mobile phone still leads in consumption, followed closely by participation in competitions.

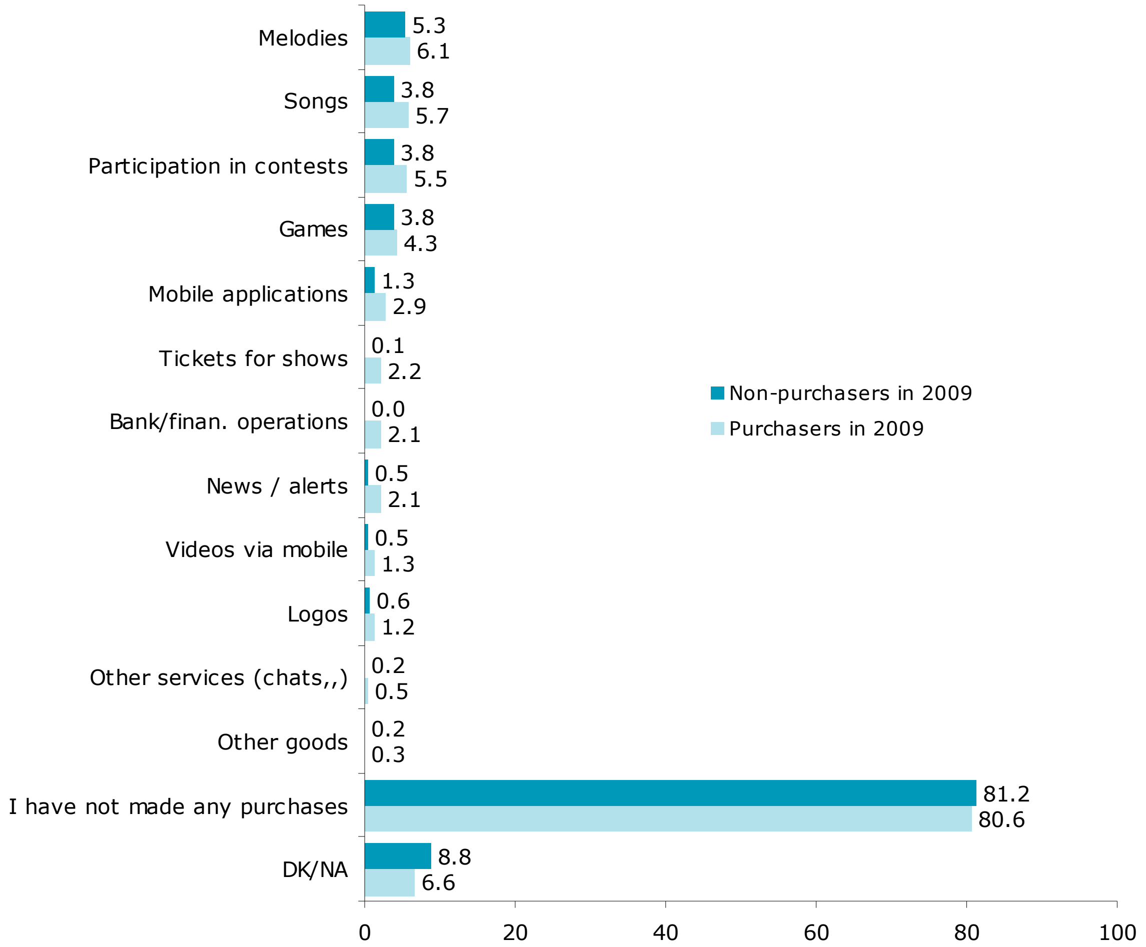
Every individual who has bought something via mobile phone has acquired an average of 2.04 goods or services. This represents a slight rise over last year, when the figure was 1.96.

The main mobile purchasing customers (particularly downloads) were young people (aged under 25), residents of municipalities between 50,000 and 100,000 inhabitants.

This stagnancy of penetration of purchases via mobile phone could be due to, among many other reasons, a certain lack of innovation in the services offered via mobile phone or a lack of standardisation of the payment method for purchases via mobile phone, as well as the adjustment of the channel depending on which goods and services are being purchased.

Ringtones, songs and participation in contests are the products most in demand by younger segments of the population (under 25), those who most purchase via mobile phones.

Figure 42. Have you purchased / downloaded any of these products or services via your mobile? (%)



Base: Total Internet purchasers and non-purchasers

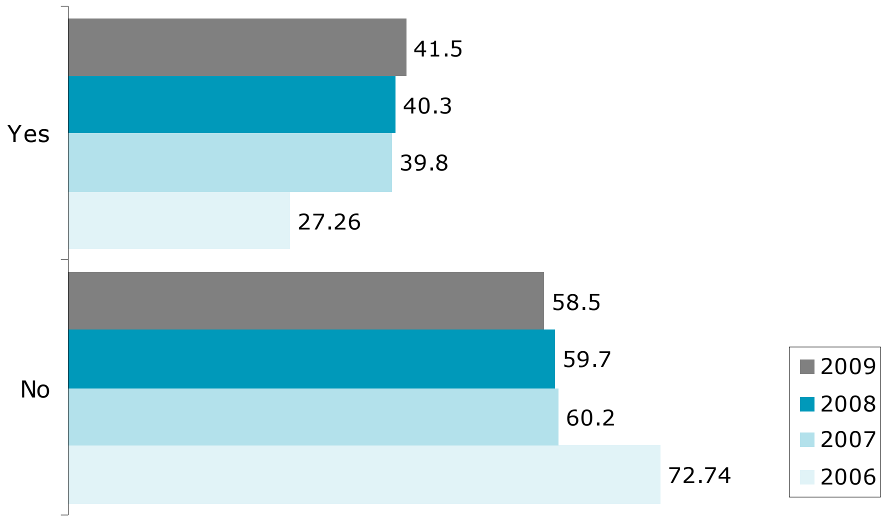
Source: Red.es Observatory

6. NON-PURCHASER INTERNET USERS IN 2009

6.1. Non-Internet purchasers

A total of 58.5% of Internet users did not make any online purchases in 2009. The evolution of the data in relation to the previous year indicates a very slight decrease (from 59.7% to 58.5%) in the percentage of Internet users who did not make an online purchase in the previous year.

Figure 43. Evolution of Internet purchasers and non-purchasers (%)



Base: Total Internet users

Source: Red.es Observatory

Non-purchasers in 2009 are characterised according to their age:

- Individuals aged 16 to 24 years (58.2%)
- Individuals aged over 65 (72%)

This varies with the size of the municipality; as the population gets larger, online purchasing is more frequent (from 28.3% of purchasers in towns with fewer than 10,000 inhabitants to 47.1% in towns with over 100,000 inhabitants and provincial capitals).

Barriers to electronic commerce

A large proportion (77.8%) of Internet users who made no purchases in 2009 state a preference for physical shops.

However, the distrust revolving around the online protection of personal or banking data is a major barrier, which is also latent among Internet shoppers. Specifically, 64.5%

report experiencing fear when giving personal information over the Internet; transactions do not seem secure to 58.8%, and 48.3% distrust payment methods.

Young people (under 35) experience the least fear when giving personal data online, are those to whom the digital environment seems most secure, and are those who most trust online payment methods.

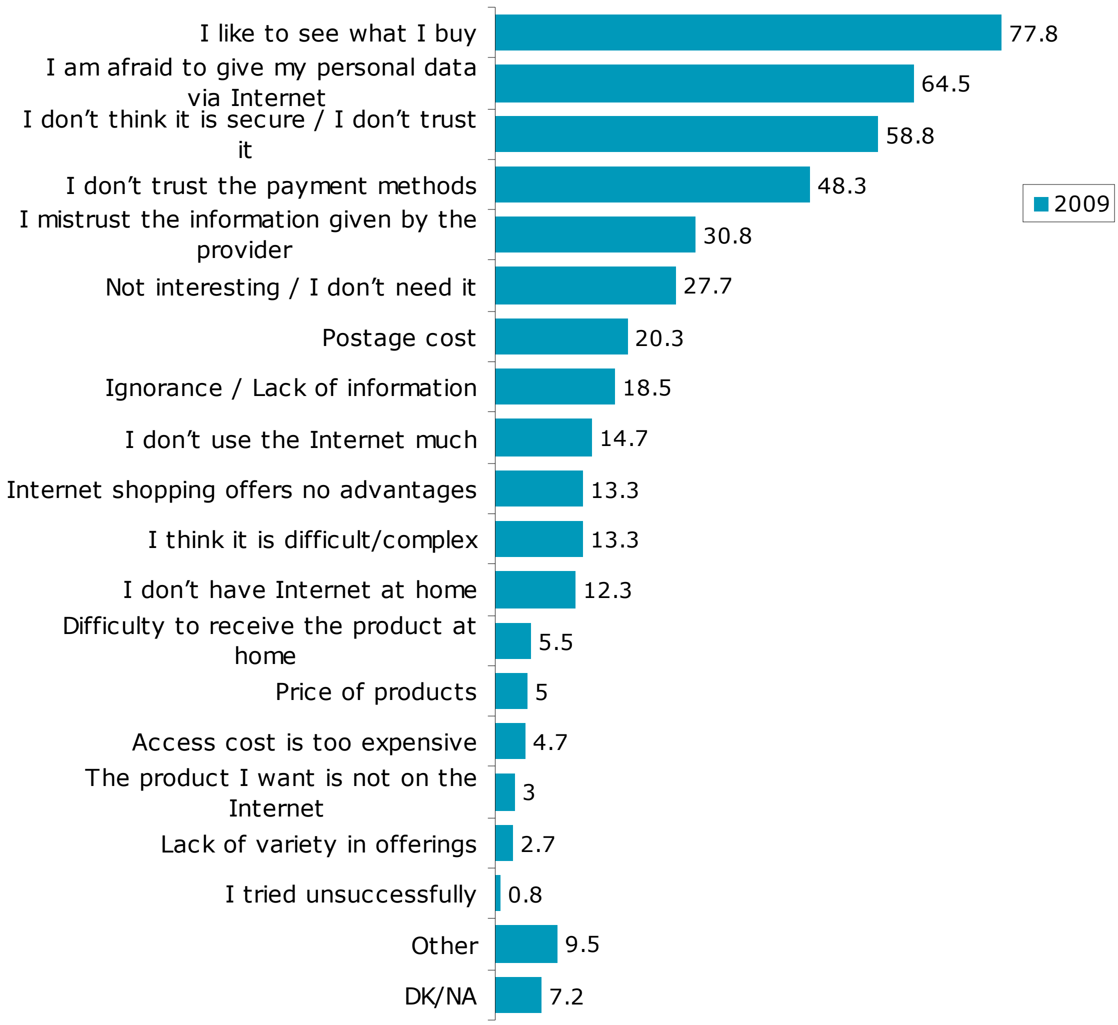
Both Internet users who purchase and those who do not purchase agree on the importance of security in payment methods (48.3% and 51.2% respectively).

In contrast, the price of goods and services on the Internet is not one of the reasons for not purchasing, though the elimination of shipping costs - which for 52.9% of Internet purchasers was one of the key deterrents to online shopping - is one of the reasons for not buying stated by 20.3% of Internet non-purchasers.

Unfamiliarity and lack of information about the buying process, as well as the lack of a perceived benefit in online shopping, represent less of a barrier for Internet users, with 18.5% and 13.3% respectively mentioning it.

Other reasons put forward by non-purchasers are sporadic use of the Internet (14.7%) and the lack of Internet at home (12.3%), reasons whose frequency often intensifies with older people and in lower social classes.

Figure 44. Reasons for not making Internet purchases (%)



Base: Total non-Internet purchasers

Source: Red.es Observatory

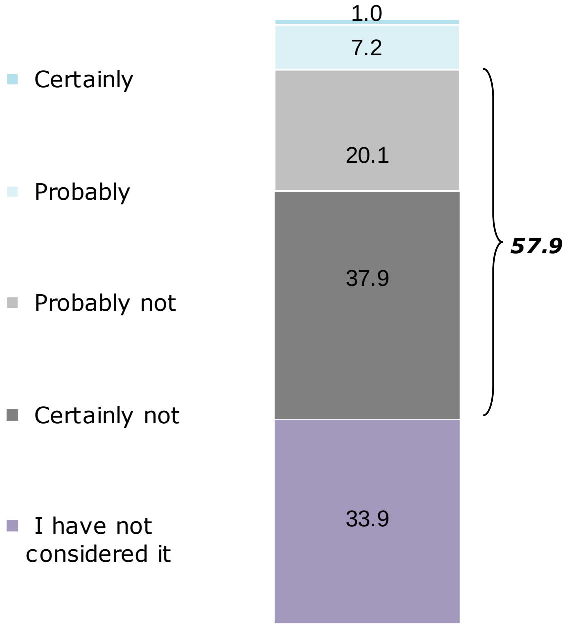
In terms of socio-demographic variables, the following was observed:

- To a greater extent, women and the 46-65 age group declared they need physical viewing of the products when buying. In turn, young people had less doubts about purchasing online in this regard.
- Insecurity was lower among younger users, who showed a greater degree of affinity with new technologies. On the other hand, women and individuals aged between 35 and 49 were more reluctant to provide personal details for making online purchases.

Intention to make Internet purchases

8.2% of non-purchasers plan to make online purchase in the next months. 57.9% claim to have no intention of purchasing anything via the Internet in the following months and 33.9% have not considered making online purchases.

Figure 45. Intends to make purchases via the Internet in the coming (%)



Base: Total non-Internet purchasers

Source: Red.es Observatory

Unlike in previous years, when it was men who had not made any purchases online who had the greatest intention to do so, in 2009 women express the greatest intention to purchase. By age, it is the youngest, as well as those living in towns with more than 100,000 people or capitals, who express this interest.

In rural towns (with fewer than 10,000 inhabitants), a greater intention to purchase is perceived: 24.5% of those who show willingness to shop online in the future live in rural areas.

Key factors for starting to make Internet purchases

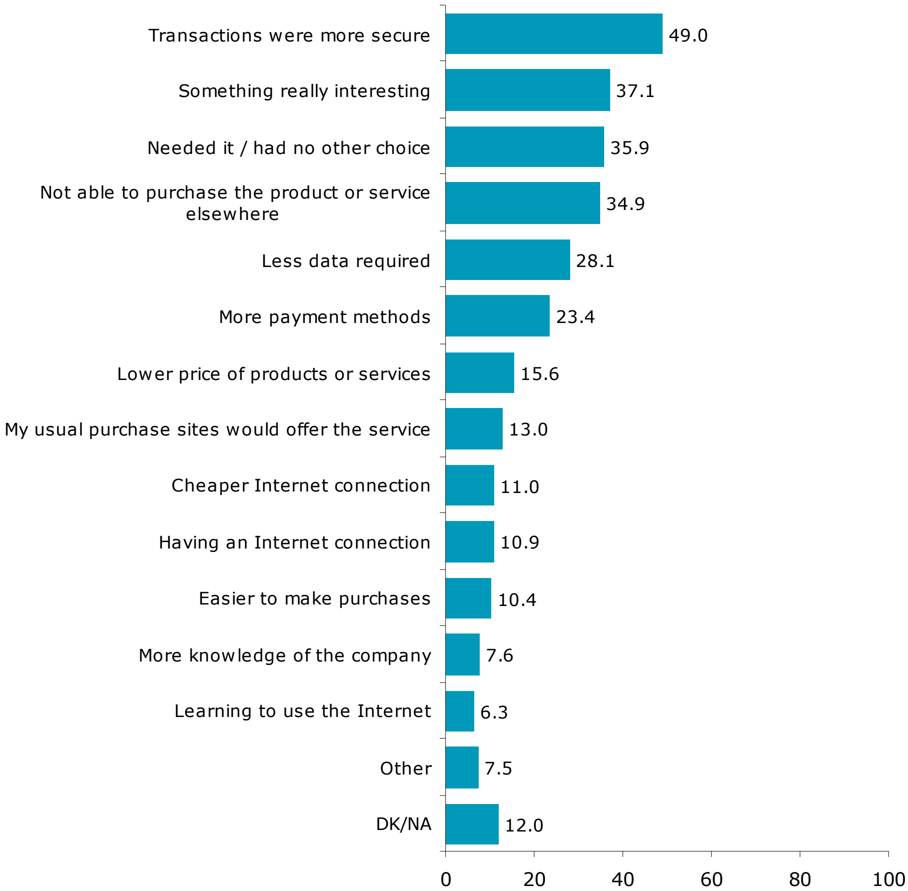
Future Internet purchases are dependent on improved transactional security. Almost half of non-purchasers (49%) stated that a change in perception of network security was key for them to make online purchases in the near future. Asking for less personal data online (28.1%) would also boost future Internet shopping.

The second factor most mentioned by non-purchasers that would make online shopping appealing, would be if the goods and services available over the Internet were really attractive (37.1%).

The third most mentioned was the possibility of limitation to the online channel, if they had no choice but to purchase online (35.9%) - due to personal problems or channel exclusivity - or if the goods they needed were only available on the Internet (34.9%).

11% request a lower price for Internet access, 10.9% refer to the necessary technological equipment ("Internet access") to make future purchases and 6.3% of the group allege a lack of training in Internet use.

Figure 46. What factors would encourage you to make online purchases in the future? (%)



Base: Total non-Internet purchasers

Source: Red.es Observatory

6.2. Purchasers who did not purchase in 2009

5.8% of Internet users have prior experience of making online purchases but did not buy any goods or services via the Internet in 2009.

They were mostly women, individuals aged 35 to 49 years, and individuals of a high or middle social scale.

Barriers to electronic commerce

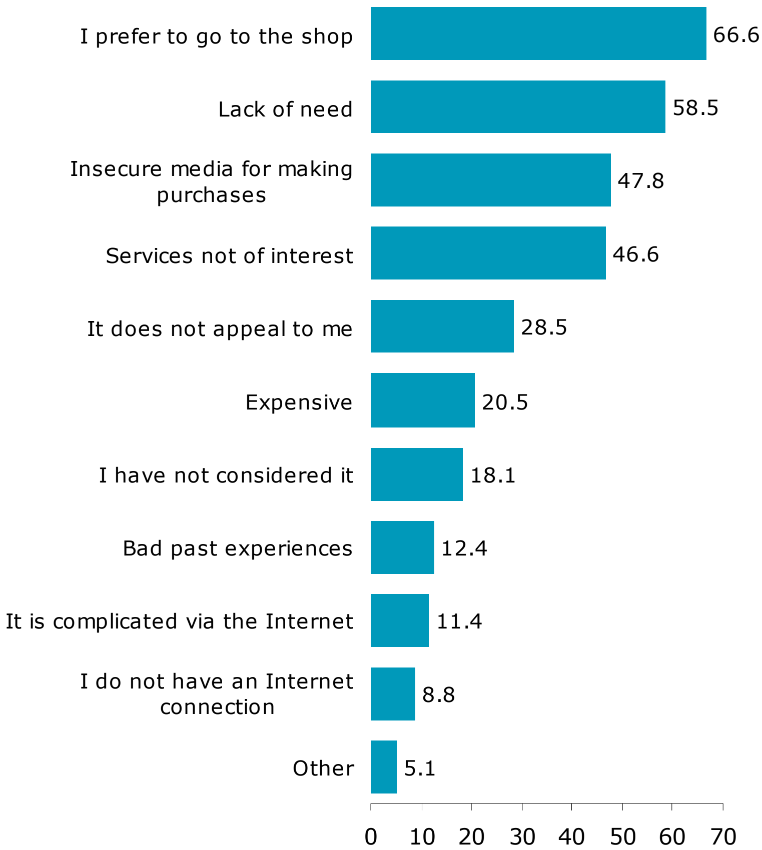
A preference for traditional channels is the main reason for not shopping online during 2009: the preference for physical stores (66.6%), as well as not needing to shop online (58.5%). These reasons highlight the certainty that any good or service can be found in physical stores without having to go on the web.

In 2009, the third reason for not purchasing on the Internet is security. In this regard, e-commerce support policies need to continue working toward minimising non-purchasers' rejection and fear of network security problems by communicating the progress being made to guarantee the confidentiality of personal data.

The lack of appeal of online shopping influences 28.5% of non-purchasers in 2009 and 46.6% said that services do not interest them.

The percentage of individuals who did not purchase in 2009 due to bad experiences with previous purchases reached 12.4%, higher than in previous years.

Figure 47. Why have you not made any online purchases in the last year? (%)



Base: Internet users who did not purchase in 2009 but have done previously

Source: Red.es Observatory

Keys to making new purchases online

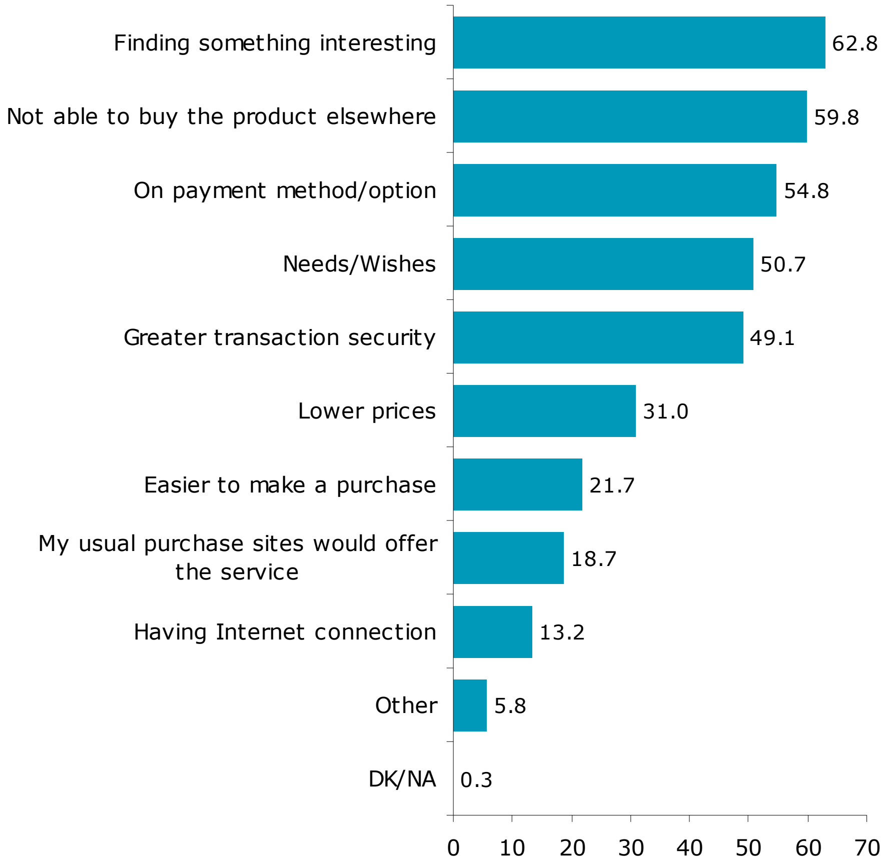
Internet users who did not purchase in 2009 but have done previously, declare that the key factor for them to buy on the Internet again is finding interesting products or services.

On the other hand, if the Internet was the only sales channel (59.8%) and more secure payment methods, would drive users to purchase again in the future.

The need to strengthen transaction security and payment is one reason to ensure future purchases, although this reason is not so significant as in previous years, when it was positioned as one of the main reasons.

13.2% say that having Internet access would encourage them to make purchases on the Internet in the future.

Figure 48. What factors do your future online purchases depend upon? (%)



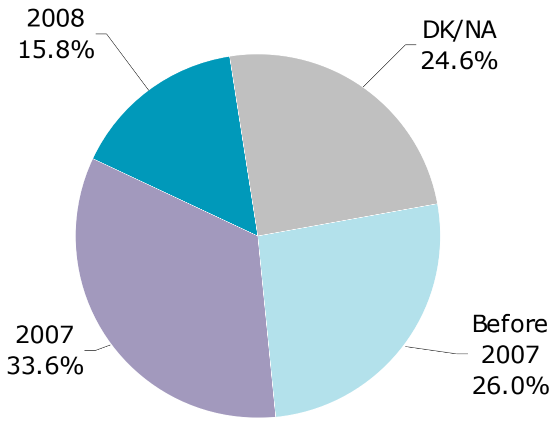
Base: Internet users who did not purchase in 2009 but have done previously

Source: Red.es Observatory

First purchase

Analysing the first purchase of the 2009 non-buyers who had previously made transactions, 2007 is shown to be an important year for online shopping. The percentage of individuals who purchased the first time in 2007 or prior years amounted to 59.6%.

Figure 49. When did you first make an online purchase? (%)



Base: Internet users who did not purchase in 2009 but have done previously

Source: Red.es Observatory

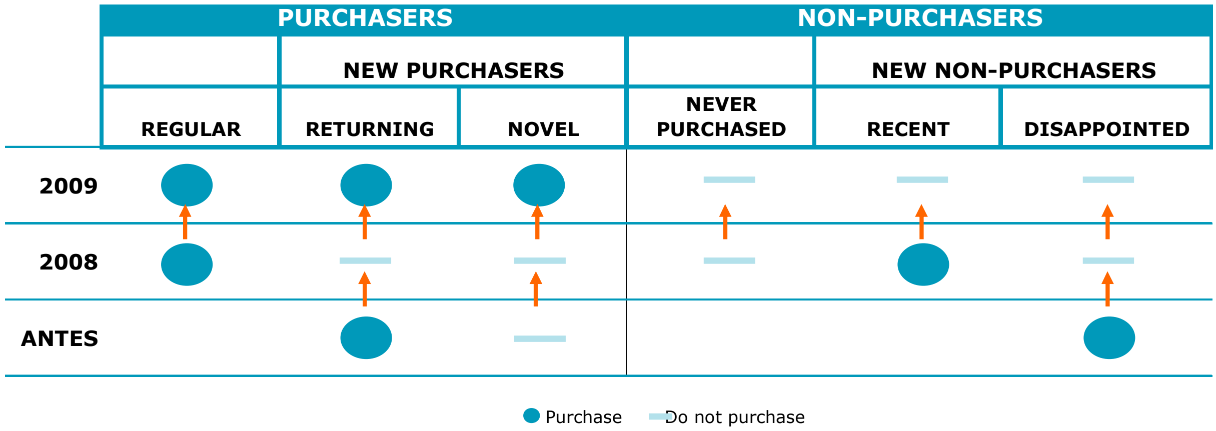
7. LONGITUDINAL ANALYSIS 2008-2009

Longitudinal analysis, conducted with a constant sample (common between 2008 and 2009 in the panel sample, with a size of 1,037 individuals), provides results that show the evolution of Internet purchasers and non-purchasers for two consecutive years (2008 and 2009) and see how they have changed their behaviour regarding purchasing.

The meaning of this analysis is not to study differences between groups but rather to understand the evolution of both the purchasers and non-purchasers and the subgroups into which they are divided.

Segmentation and evolution

Figure 49. Evolution and definition of purchaser and non-purchaser segments

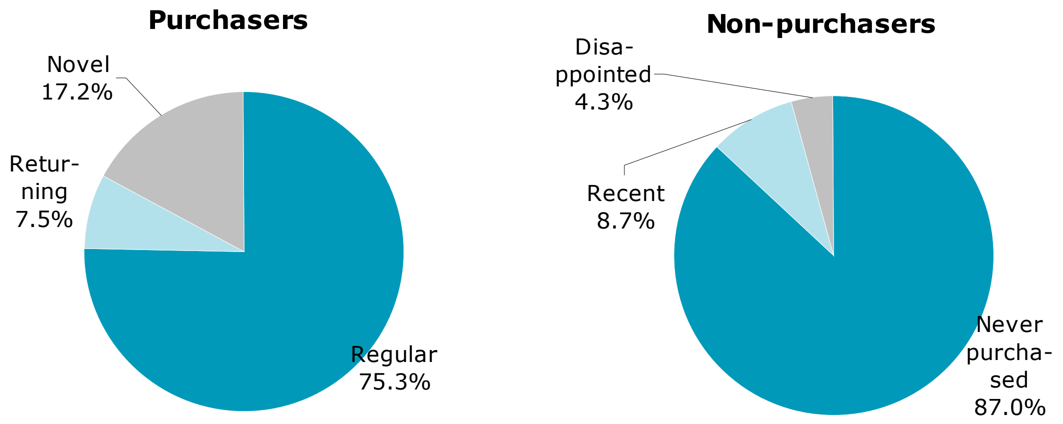


Source: Red.es Observatory

Purchasers in the constant sample are divided into the following subgroups:

- Purchasers who made online purchases in both 2008 and 2009. These are referred to as **regular purchasers** and account for 75.3% of total purchasers.
- The remaining purchasers -new purchasers- are divided into another two subgroups. **Novel purchasers** (17.2% of purchasers) who purchased for the first time in 2009 and **returning purchasers** who, while having Internet purchasing experience prior to 2008, did not make any online purchases in 2008 (7.5%) but did make new purchases in 2009.
- Three different categories can be defined among non-purchasers:
    - Those who have **never purchased**, who are Internet users that have never made an online purchase; they make up the majority of non-purchasers (87%).
    - **Recent non-purchasers** (those who purchased goods or services in 2008 but not in 2009) are included among new non-purchasers and account for 8.7% of non-purchasers, together with **disappointed purchasers**, with online purchasing experience in 2007 or earlier. This last group represents 4.3% of non-purchasers and the reasons for stopping online shopping can be other apart from disappointment.

Figure 50. Weight of purchaser and non-purchaser segments among Internet users



Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

Segment profiles

The profile of purchasers corresponds to men, resident in urban areas, of medium and medium-high socio-economic level, aged 25-34 or 50-64. The profile of each of the purchaser segments is as follows:

- **Regular purchasers account for the majority of purchasers in 2009 and they most clearly represent this group. Their profile is as follows:**
    - Men
    - Aged 25 to 64
    - Residents in urban areas (more than 100,000 inhabitants)
    - Of upper/upper middle class.
    - Full-time workers
    - Living in small households
- **New purchasers:**
    - Women
    - Young people (15 - 34) and seniors (65 and over)
    - Of medium-low socio-economic level
    - Part-time workers
- **Non-purchasers are defined as those who have never purchased; they display the following characteristics:**
    - Women
    - Mainly comprised of young people (aged between 15 and 24) and non-university students, as well as individuals aged between 35 and 49.
    - With a medium to low socio-economic level, and less frequently active (labour)
    - With secondary level education
    - Resident in rural areas, with less than 20.000 inhabitants.
    - Living in bigger households (4 or more members)

Subgroups of "returning purchasers" and "new non-purchasers" (both novel purchasers and the disappointed) do not have a large enough sample size to be able to draw conclusions that are even minimally reliable, because of the increased relative weight in the constant sample of regular purchasers and those who never purchase.

TABLE 4. SOCIOECONOMIC PROFILES OF THE SEGMENTS

Segment profiles

	PURCHASERS			NON-PURCHASERS		
	PURCHASERS	NEW PURCHASERS		NEW NON-PURCHASERS		NON-PURCHASERS
	Regular	Returning	Novel	Recent	Disappointed	Have never purchased
Sex:		Sample not enough big		Sample not enough big		
Male	55.1		32.6			37.1
Female	44.9		67.4			62.9
Age:						
From 15 to 24	9.3		20.8			27.3
From 25 to 34	18.9		17.7			5.7
From 35 to 49	40		28.7			43.4
From 50 to 64	27.8		20.1			17.2
65 or over	4.1		12.7			6.4
Size of town/city:						
Less than 10 thousand	10.5		10.5			21.1
10 to 20 thousand	9.5		17.1			15.6
20 to 50 thousand	21.5		25.8			19.7
50 to 100 thousand	6.8		4.3			10.1
More than 100,000	51.7		42.3			33.5
Socio-economic level:						
Upper + upper middle	51.5		35.1			24.7
Average	39.4		40.1			43.7
Middle lower	7.5		24.8			20.7
Low	1.5		-			11
Education:						
No education	0.4		-			0.9
Primary	0.2		2.2			4.4
Secondary	51.3		53.6			76.2
Higher	48.3		44.2			18.5

Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

Use of the Internet and e-mail

Upon analysing the behaviour of both Internet purchasers and non-purchasers, a different use of the network was detected in the two groups. Purchasers make the most intensive use of the Web with almost 100% signing on in the last week. In this sense, 9 out of 10 regular purchasers have been using the Internet for over 3 years, and they are the ones who use personal and work e-mail the most.

In contrast, the behaviour of those who never purchased is only at the level of purchasers in the ratio of those who use the Internet now more than previously. The following is an analysis of each of the most important aspects in detail.

- The data relating to last connection to the Internet shows that all the segments analysed, both for purchasers and non-purchasers, have a very high connection frequency in the last week. However, those who have never purchased had a lower connection percentage in the last week than the rest.
- Regular purchasers have used the Internet for the most time, and are also those whose use has increased the least over the last year. This is probably because they are already heavy users, and in this sense, novel purchasers are those whose Internet use has most increased in the last year. The same is also noted for a good proportion of those who never purchased. Regarding the latter, we can also say that they are the group that has been using the Internet for the least amount of time. Maybe these last figures will translate into an increased use of electronic commerce as they become familiar with the environment.
- Regular purchasers subscribed to more ADSL connections in the home than non-purchasers.
- Use of personal e-mail as a means of communication was widespread among purchasers, but more significantly among regular purchasers. Non-purchasers also made intensive use of it, but there is a clear difference with respect to purchasers.
- The work e-mail account is much more widespread among purchasers, and this is very likely due to increased work activity by this group.

Table 5. Internet use by segment

Internet use

	PURCHASERS			NON-PURCHASERS		
	PURCHASERS	NEW PURCHASERS		NEW NON-PURCHASERS		NON-PURCHASERS
	Regular	Returning	Novel	Recent	Disappointed	Have never purchased
Yes, in the last week	**97.7**	Sample not enough big	91.9	Sample not enough big		80.4
Now I use it more	40.8		**50.9**			**44.2**
More than 3 years ago	**91.5**		81.7			70.5
ADSL	67.2		53			56.7
E-mail (personal account)	**94.7**		89			73.9
E-mail (professional account)	**30.7**		16.9			5.6

Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

Purchasers in 2009

The different groups considered in the study showed important differences with regard to purchases made in 2009. Regular purchasers made a larger number of online purchases per year and spent a greater amount, more than doubling the budget of novel purchasers.

Table 6. Purchases made in 2009

Purchases made in 2009

	PURCHASERS		
	PURCHASERS	NEW PURCHASERS	
	Regular	Returning	Novel
Average no. of purchases made in 2009	4.7	Sample not enough big	2
Average expenditure in 2009	930		440

Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

Regular purchasers buy a wider variety of goods and services on the Internet than novel purchasers. In particular, they more frequently purchase show tickets, lodging reservations, car rentals, books, clothes and accessories and financial services.

On their part, new purchasers started by making more technology-related purchases: software, Internet services, electronics, and appliances and home furnishings.

More than 1 in 20 regular purchasers have had problems with an online purchase in 2008 or 2009. This percentage is significantly lower among novel purchasers. This may be a reflection of the smaller number of purchases made by novel purchasers.

Table 7. Experience with purchases (years)

	PURCHASERS		
	PURCHASERS	NEW PURCHASERS	
	Regular	Returning	Novel
Problems with purchase	6.1	Sample not enough big	0.8

Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

Non-purchasers in 2009

Among Internet users with online shopping experience who chose not to make online purchases in 2009, we note that the reasons for not buying can not be easily addressed in order to encourage future purchases.

The most significant reason is that they prefer to go to a physical store. Meanwhile, other reasons focus on not needing to, or not finding it attractive to buy online. A wider selection of goods / services and a more sophisticated and advanced store-like presentation and structure can reduce the significance of these aspects.

Another major objection has to do with payment security for Internet purchases. Security protocols are advancing in this area and in principle it should only be a matter of time until this perception is no longer relevant.

Table 8. Reasons for not purchasing

	NON-PURCHASERS	
	Have never purchased	NEW NON-PURCHASERS
I prefer to go to the shop	-	67.8
No services of interest	-	51.8
Insecure media for making purchases	-	50.9
Lack of need	-	43.2
It does not appeal to me	-	43
Expensive	-	27.9

Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

The reasons for going back to purchasing online confirm what is indicated in the table above. Basically, they would go back to purchasing online if there was something interesting, covering a specific need, that could not be purchased anywhere else, and if payment was secure.

Table 9. Reasons for future online purchases

	NON-PURCHASERS	
	Have never purchased	**NEW NON-PURCHASERS**
Not able to buy the product elsewhere	-	57.8
Method of payment/cash on delivery	-	57.8
Finding something interesting	-	48.8
Specific needs	-	48.7
Greater transaction security	-	41.4
Lower prices	-	31.1

Base: Sub-sample of Internet users 2008-2009

Source: Red.es Observatory

8. LIST OF GRAPHS AND TABLES

9. TECHNICAL SPECIFICATIONS SHEET

Information collection

Postal survey to the panel.

Dates of information collection

From 8 April to 03.05.10.   Geographical scope: Total Spain

Sample population

A total of 39,038,426 individuals. Population aged 15 and over in mainland Spain, the Balearic Islands and the Canary Islands. Source: Red.es ICT households panel (March 2010), based on INE (Spanish National Statistics Institute) forecasts based on the 2001 Census for 2010.

Internet users: 24,965,765 Individuals aged 15 and over. Internet penetration (64.0%): Red.es ICT households panel (March 2010).

Sample size

2.675

Fieldwork

Carried out by Taylor Nelson Sofres (TNS).

Weighting

The results have been weighted in accordance with the socio-demographic profile of Internet users aged 15 and over, obtained from the Red.es Panel dated January-March 2010.

The weighting criteria considered were, at household level: autonomous region, size of the city/town, size of household, social class (Spanish General Means Study), presence of children in the home and age of the head of the household; and at an individual level: gender and age.

Margin of error

- For the Internet purchaser group in 2009: ±2,9%
- For the non-purchaser group in 2009: ±2,5%
- For the total sample: ±1,9%

Sample extracted from the ICT panel of Red.es, which is representative of Spanish households. Specifically, the individuals belonging to the panel contacted declared, via a postal survey sent to households in September 2009, that they had used the Internet on one or more occasions.

Methodological note: calculation of expenditure

With the aim of improving the estimation of total expenditure on electronic commerce, this year fundamental changes have been implemented in the calculation of expenditure and number of purchases. Specifically, in other previous studies, the expenditure and number of purchases per individual was established based on e-commerce global expenditure in the previous year. On the contrary, this 2010 study calculates global expenditure in online purchases based on costs and number of purchases reported for 17 product categories.

AS a consequence of these changes, values for those two indicators have shown an increase with respect to the previous methodology. To keep a historical data record, the new calculation methodology has been replicated to calculate e-commerce expenditure for 2007 and 2008.