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Conducted among 621 US$15million+ turnover companies in 12 countries, the first DHL Global E-commerce Report shows:

Top-Line findings

THE GOOD NEWS:

- Nine out of 10 companies in the US or Japan do not consider web security to be a major barrier to their e-commerce development
- 86% of companies predict increased total sales as a result of selling on-line
- The employment picture is good. 34% of businesses expect the total number of people employed by their company to increase
- Globally, 86% of companies expect increased total sales as a result of trading on-line

THE BAD NEWS:

- 74% of companies do not have a dedicated e-commerce department
- 41% of companies see fulfillment as a barrier to e-commerce growth
- 25% of companies have yet to define their e-commerce fulfillment policy
- 20% of all e-commerce deliveries are delivered late according to customers’ lead-time expectations
- 79% of worldwide businesses are not currently trading on the Internet
WEB SECURITY STILL THE DOMINANT INTERNET FEAR - SECURITY CONCERNS SUBSIDE IN US AND JAPAN

E-commerce – barriers & benefits

**Key Findings and Analysis**

33% of companies now claim to have ‘No Major Worries’ about Internet trading.

Security remains the major barrier to e-commerce, potentially due to infancy of the market. It is expected that barriers such as fulfillment and customs or tax issues will become bigger barriers as company’s on-line sales increase.

- 69% of companies still see web security as a barrier to the growth of e-commerce, and 43% of companies cite security as their number one concern over Internet trade, although nine out of 10 companies in the US and Japan do not consider web security to be a major barrier.

- Globally, 77% of companies predict greater competition in their market from e-commerce.

- 33% of companies claim to have no major worries about trading on the Internet.

- In mature Internet countries, on-line payment is no longer a problem. For example, six out of 10 companies in USA (60%), Australia (61%) and Finland (58%) say payment is not a barrier to e-commerce.

- However, less mature markets such as South Africa and Brazil consider payment a barrier (64% and 51% respectively).

- Surprisingly, 52% of computer hardware and software companies said payment presented a serious obstacle to their e-commerce development.

- The top three biggest perceived benefits are:
  - Opportunity to increase sales / market share
  - Greater customer convenience
  - Improved customer relationships
League table of global e-commerce barriers:

<table>
<thead>
<tr>
<th>Barrier</th>
<th>% Companies citing barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web Security</td>
<td>69</td>
</tr>
<tr>
<td>Ease of Payment</td>
<td>47</td>
</tr>
<tr>
<td>Order Fulfillment</td>
<td>41</td>
</tr>
<tr>
<td>Route to Market / Channel Conflict</td>
<td>39</td>
</tr>
<tr>
<td>Customs / Tax issues</td>
<td>35</td>
</tr>
<tr>
<td>Language</td>
<td>26</td>
</tr>
</tbody>
</table>

“Security still dominates company’s fears of e-commerce, although the States and Japan have shown that with experience, these fears recede,” comments Etienne de Longvilliers, Global E-Business Director, DHL Worldwide Express.

“As a company that operates across 227 markets and hundreds of industry sectors, the need for a pan-industry web security solution is clear. This would enable many of the less experienced countries to flourish.”

DHL is actively facilitating secure and responsive e-commerce fulfillment across the world
JOBS MARKET SET TO BOOM

E-commerce and employment

Key Findings and Analysis

Although the overall employment picture is positive, the key to the jobs picture is what types of job emerge and in what sectors.

With 72% of companies predicting a rise in the demand for customer services, many opportunities may involve call centres and other support services.

- One in three companies (34%) predict a rise in employment as a result of e-commerce
- Only four out of 10 companies (42%) have established a dedicated e-commerce department – but the vast majority have just one person working in them
- As would be expected from the most developed Internet nation, USA is predicting the highest jobs increase (64% of companies predict a rise)
- The majority of jobs are likely to be service orientated – 72% of companies predict an increase in the provision of customer services
- The most positive jobs sector is Home Entertainment and Books where one in two companies (48%) predict a rise in employment. USA and Russia are the most optimistic countries, with 64% of companies predicting more jobs
- South Africa faces a jobs crisis – one in three companies forecast a drop in jobs

Etienne de Longvilliers, Global E-Business Director, DHL Worldwide Express comments, “It is encouraging to see e-commerce driving a customer service revolution - companies have clearly identified the area as a key differentiator. With job cuts hitting harder in some sectors, many people may be forced to re-train and change industries.”

DHL has had a dedicated e-commerce group and strategy manager since 1997. It also provides e-commerce staff all over the world to support its e-commerce products.
PROFITS SHOW MARKET STILL IN INFANCY

E-commerce and the balance sheet

**Key Findings and Analysis**

Despite worldwide optimism for the prospects of profit through e-commerce, current balance sheets show the industry is still in its infancy. E-commerce is contributing just 1% of sales for the majority of companies, though the percentage is often as low as 0.1%.

Companies planning to enter the e-commerce race over the next 12 months are anticipating early profits – 30% of companies planning to trade on the Internet predict profits within 12 months, and over half (53%) predict returns within three years.

Etienne de Longvilliers, Global E-Business Director, DHL Worldwide Express comments “There is a huge lack of consistency surrounding expectations of profit. While 30% of companies currently planning to trade on the Web predict profits within one year, only 4% of companies actually trading saw a return in their first 12 months.”

- Just 30 companies of the 621 surveyed have generated a profit through e-commerce
- Companies see e-commerce as a generator of revenue, not a channel that will displace existing revenue – 86% of companies predict increased total sales as a result of on-line trading
- Just 3.1% of worldwide sales are currently made via the Internet
- Four out of 10 (38%) companies expect the value of their average Internet sale to increase over the next 12 months
- Only 7% of visitors to e-commerce sites actually purchase. Finland enjoys the best sales conversion rate – 12.7% of visitors purchase

DHL is working in partnership with e-commerce traders to develop logistics models that offer the most efficient and cost effective means of global order fulfillment.
E-commerce and the balance sheet (continued)

Looking at total sales, the top and bottom geographical performers are as follows:

<table>
<thead>
<tr>
<th>Countries with Highest %</th>
<th>Countries with Lowest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore 8.0</td>
<td>Russia 0.1</td>
</tr>
<tr>
<td>Finland 7.6</td>
<td>Japan 0.3</td>
</tr>
<tr>
<td>France 5.9</td>
<td>South Africa 0.9</td>
</tr>
<tr>
<td>USA 5.7</td>
<td></td>
</tr>
</tbody>
</table>

Companies predict a huge increase in on-line sales over the next 12 months. Globally, e-commerce sales will more than double from 3.1% of total sales to 7.6%

Examining the geographical differences, Hong Kong is the most optimistic, with companies predicting on-line sales will increase from an average of 2.2% of all sales to 20%. South Africa also predicts a huge climb, from 0.9% to 7.2%

Many 'Internet mature' countries are not converting site visits to sales. For example, only 2.5% of visitors in Japan and 2.8% of visitors in the UK actually make a purchase

Globally, business-to-consumer sales account for 76.3% of all sales. Business-to-business sales account for 23.7%
### Predicted % of Sales via the Internet in Q4 2000

<table>
<thead>
<tr>
<th>Countries with Highest %</th>
<th>Countries with Lowest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong 20.0</td>
<td>Japan 1.1</td>
</tr>
<tr>
<td>USA 13.9</td>
<td>Singapore 4.0</td>
</tr>
<tr>
<td>France 9.2</td>
<td>Brazil 4.3</td>
</tr>
</tbody>
</table>

### Percentage of Visitors per Country Who Purchase When Visiting an E-Commerce Site

- **Finland**: 14%
- **France**: 12%
- **Germany**: 10%
- **UK**: 8%
- **Japan**: 6%
- **Australia**: 4%
- **Russia**: 2%
- **Brazil**: 0%
- **South Africa**: 0%
- **USA**: 0%
- **Hong Kong**: 0%

- **% of visitors who buy online**

### Split of Business-to-Consumer and Business-to-Business Sales by Sector

- **Clothing**: 100% Bus-Cons
- **Home Ent.**: 90% Bus-Cons
- **DIY**: 80% Bus-Cons
- **Computer Hardware**: 70% Bus-Cons
- **Food & Bev.**: 60% Bus-Cons
- **Fin. Serv.**: 50% Bus-Cons
- **Automotive**: 40% Bus-Cons
- **Consumer Electronics**: 30% Bus-Cons
- **White Goods**: 20% Bus-Cons
- **OTC Chemists**: 10% Bus-Cons

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**Countries**
- Japan
- Russia
- Singapore
- South Africa
- UK
- USA

**Diagram Legend**
- **Bus-Cons**: Business-to-Consumer
- **Bus-Bus**: Business-to-Business
THE NEXT CRITICAL BARRIER

E-commerce and fulfillment

Key Findings and Analysis

Recent Forrester research\(^1\) stated “The E-commerce boom risks being halted by logistics chaos.” Yet surprisingly companies are not recognising the challenge of end-to-end fulfillment.

With one in five orders reaching the customer late at today’s relatively low volumes and 86% of companies predicting increased overall sales, logistics will rapidly become one of the key on-line differentiators.

Customers will not tolerate waiting for purchases to be delivered.

- Even at today’s relatively low volumes, one in every five orders is delivered late according to the customer’s lead time expectations
- Within 12 months customers’ expectations on speed of delivery are set to halve. 62% of customers will expect to receive their complete order within two days of purchase, compared to today’s average delivery time of four days
- 35% of all companies expect to see increased export sales as a result of e-commerce
- And yet one in four companies have not set their e-commerce fulfillment policy
- The clothing and fashion industry has been quickest to recognise the challenge of delivery – 62% of clothing companies see fulfillment as a significant barrier
- Of the countries surveyed, South Africa (36%) and France (32%) lead concerns over fulfillment
- Even in today’s market dominated by domestic sales, 35% of companies cite customs or tax issues as a barrier for e-commerce

\(^1\) Mastering Commerce Logistics, Forrester Research, August 1999
14% of companies admitted not knowing what effect customs issues will have on their exports.

Etienne de Longvilliers, Global E-Business Director, DHL Worldwide Express, comments “E-commerce is currently a national marketplace – 92% of orders are shipped within the country of purchase. But with one in three companies predicting an increase in export sales, this is changing.

“As volumes increase and customer expectations grow, the pressure on company’s delivery mechanisms will build to a point where goods will arrive late and customers will be lost. Companies must have a robust fulfillment strategy or die.”

DHL is actively creating a number of innovative new logistics fulfillment models and programmes to assist e-commerce traders in matching their customers’ global delivery expectations.
CONCERNS VOICED OVER CORPORATE DIRECTION

E-commerce and the boardroom

Key Findings and Analysis

Investment to join the e-commerce race is huge, but results indicate some confusion at the highest levels.

Having a trading web site is seen as ‘the thing to do’, but companies are not subjecting their e-commerce development to the same rigorous business-case assessment processes that they would any other new venture.

- Only half e-commerce directors interviewed (51%) considered their company to be devoting enough resources to the discipline
- 40% of e-commerce directors have never bought anything over the Internet
- 74% of companies worldwide do not have a dedicated e-commerce department
- 83% of companies do not list e-commerce as one of their company’s top three priorities, despite 6/10 companies predicting increased competition as a result of on-line sales in the next 12 months
- 33% of computer hardware and software companies have no mention of e-commerce in their corporate objectives
- DIY is perhaps unsurprisingly the worst offender, with 70% of companies not featuring e-commerce

League table of companies not listing e-commerce in their corporate objectives, split by sector:

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Companies not listing e-com</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIY</td>
<td>70</td>
</tr>
<tr>
<td>Clothing / Fashion</td>
<td>68</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>63</td>
</tr>
<tr>
<td>OTC Chemists</td>
<td>60</td>
</tr>
<tr>
<td>Automotive</td>
<td>48</td>
</tr>
<tr>
<td>White Goods</td>
<td>47</td>
</tr>
<tr>
<td>Home Ent. / Books / CDs etc</td>
<td>41</td>
</tr>
<tr>
<td>Consumer Electronics / Telecoms</td>
<td>41</td>
</tr>
<tr>
<td>Financial Services</td>
<td>34</td>
</tr>
<tr>
<td>Computer Hardware / Software</td>
<td>33</td>
</tr>
</tbody>
</table>

DHL provides support and assistance to e-commerce managers in developing an understanding e-commerce within their organisations.
Industry sector highlights

- Despite the huge number of fashion retailers launching on-line, such as Boo.com, 90% of the world’s clothing companies do not trade on the Internet.

- Nearly one in five (19%) of all Computer Hardware & Software retailers have no plans to trade on the Internet, despite industry giant Microsoft recently stating the future of software sales is on-line.

- In the Automotive industry, business-to-business trading looks set to rocket – automotive companies are predicting a rise in business-to-business sales from 15.3% now to 50.3% in 12 months.

- The Home Entertainment and Financial Services sectors are experiencing the most competition with 55% and 59% of companies respectively saying they have faced increased competition as a result of e-commerce.

- 41% of the Financial Services industry still see on-line security as a barrier to their e-commerce development.

- 85% of the Food & Beverages industry do not currently trade on the Internet and half of these have no intention of joining the e-commerce race.

- National goods shippers face a tough challenge – over one in three companies plan to use a sole shipper and as international orders increase, they will not be able to compete. As the global market develops, it is likely many national shippers will form strategic alliances to achieve international reach.

- In the Home Entertainment sector, export sales are expected to increase by 63%, almost double the global average.

DHL is promoting the efficiency gains available through e-commerce to all its customers across the globe.
The Global E-commerce Survey was carried out by the Industrial Research Bureau on behalf of DHL Worldwide Express and took place during September 1999. 621 companies with turnovers in excess of $15 million were surveyed in the following countries:

Australia  Germany  Singapore
Brazil  Hong Kong  South Africa
Finland  Japan  UK
France  Russia  USA

The telephone interviews were carried out with the most senior director or equivalent responsible for e-commerce.

DHL WORLDWIDE EXPRESS

DHL Worldwide Express, headquartered in Brussels, is the pioneer and market leader of the global air express industry with an international network linking more than 80,000 destinations serving 635,000 cities in 227 countries and employing over 60,000 people. DHL Worldwide Express is composed of DHL Airways Inc., which serves all locations in the U.S. and its territories; and DHL International Ltd. and its agents and affiliated companies, which serve all locations outside the U.S. and its territories.

Additional information is also available at the DHL website at www.dhl.com

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