

Amazon Commercial Update

Who is Amazon?

Founded twenty-five years ago in 1994, Amazon has grown into one of the largest ecommerce marketplaces and cloud computing platforms in the world. In 2018 their total revenue was 233 billion US dollars which ranks far ahead of companies such as Google (136 billion US dollars) and Facebook (55 billion US dollars).

In 2018, Amazon's share of the US ecommerce market hit 49% - that's almost half of all purchases made online occurred on Amazon (source: [here](#)). While more consumers are shopping online, Amazon represents 5% of all retail sales across the US – most retail sales still occur offline in physical stores.



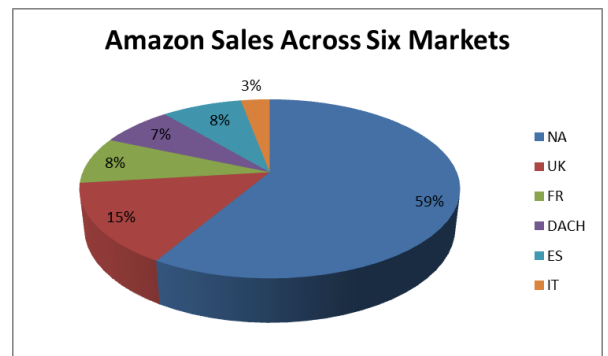
While Amazon is the dominant online seller in the US, they also play a significant role in driving offline sales as more than 1 in 3 US consumers research products on Amazon before making an offline purchase. Amazon is also the preferred search engine for products with over 54% of consumers starting their online shopping journey on Amazon.com

Amazon is a global organization and currently operates marketplaces in 14 countries. The US is the leading market representing 68.8% of their total revenue. The second largest market in terms of revenue is Germany and then followed by the United Kingdom.

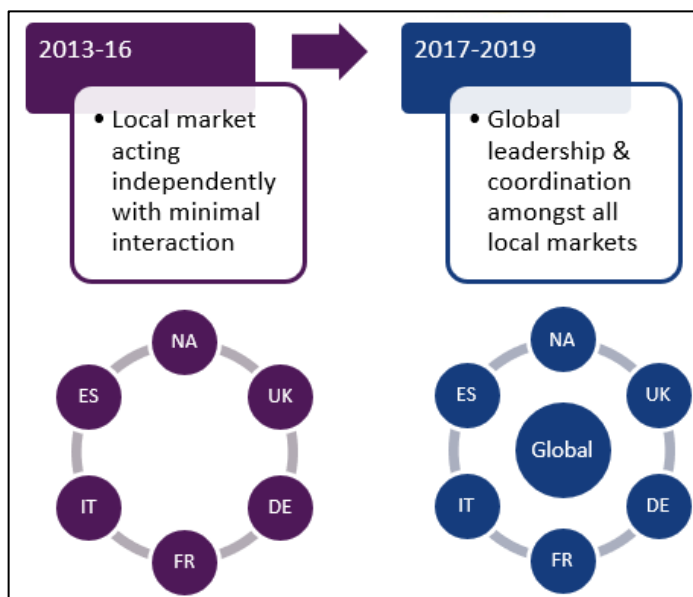
(\$ Millions)	Revenues 2018	
	Revenue	Revenue Share
United States	160,146	68.8%
Germany	19,881	8.5%
United Kingdom	14,524	6.2%
Japan	13,829	5.9%
Rest of world	24,507	10.5%

Amazon & Colart

Colart sells directly to Amazon in 6 markets (US/CAN, DE, UK, FR, ES, and IT) and was the third largest customer for us in 2018 generating £9.6M in sales. We continue to grow with Amazon as sales to Amazon is currently up +25.5% versus last year.



Our relationship with Amazon started in 2013 and our ways of working with them has evolved over the years. We started with each local market acting independently with minimal interaction and have moved to a Global leadership and coordination structure amongst all local markets.



The team is led Globally by Kevin Lee and each market has a key Amazon lead: Brad Pironciak (NA), Martyn Symes/Stephanie Eldred (UK), Antoine Sauvage (ES/IT/FR), Marc Fleckenstein (DACH), Nicolas Dupuis (FR).

In addition, our International team works with key distributors that sell to Amazon in other markets such as Japan, Australia, and India.

Strategic Role of Amazon for Colart

Amazon is the leading online retailer that will enable us to attract new consumers and grow our brands. To continue to drive success with Amazon, the role that Amazon plays is centred on the following strategic focuses:

1. Primary gateway into our brands: Beginners and emerging artists
2. Opportunities with less visible ranges: Inks, Markers, Brushes
3. Focus on sets and premium ranges: Professional level products will co-exist but have less support to drive

Challenges Ahead

As Amazon continues their online dominance there are new challenges that are forcing us to look at the business in a slightly different way to continue our trend of profitable growth. A few key challenges are:

1. Increase in global transparency: Products and pricing can be seen anywhere by anyone
2. New non-traditional competitors: New 'digitally-native, direct-to-consumer' brands such as Arteza
3. Increase advertising spend to maintain visibility: Seeking additional revenue, Amazon is stuffing their search results with ads
4. Operational pressures: Shorter delivery windows and stricter packing/shipping requirements
5. Less face-to-face contact: Becoming more self-service on their platform than working with an actual human

The online shopping landscaping that is dominated by Amazon continues to grow at an extremely fast pace. Just recently Amazon cut its free Prime shipping in half from two days down to one and is moving closer to its goal of a drone delivery solution with their new Prime Air Delivery Drone (<https://blog.aboutamazon.com/transportation/a-drone-program-taking-flight>).

Amazon is an integral part of our overall ecommerce strategy and thanks to a great collaborative team effort from around the organization, we are poised to continue our growth with them and to help inspire every artist in the world.