

# Euromonitor's Classification for Emerging Market Internet & Ecommerce

## Industry Classification

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## List of Contents

1.	ABOUT US.....	3
2.	EMERGING MARKET INTERNET & ECOMMERCE.....	4
<b>2.1</b>	<b>Introduction .....</b>	<b>4</b>
<b>2.2</b>	<b>Stock Universe.....</b>	<b>4</b>
<b>2.3</b>	<b>Sub-Sector Taxonomy.....</b>	<b>5</b>
<b>2.4</b>	<b>Thematic Score.....</b>	<b>7</b>
3.	REVIEW AND OVERSIGHT .....	9
4.	APPENDIX .....	10

## 1. ABOUT US

Established in 1972, Euromonitor International (“Euromonitor”) is the world leader in strategy research for both consumer and industrial markets. Comprehensive international coverage and leading-edge innovation make our products essential resources for companies large and small, national and global. With offices around the world and analysts in 80 countries, the company is a leading provider of global market intelligence. Our products and services are held in high regard by the international business community and we have 5,000 active clients, including 90% of the Fortune 500 companies.

## 2. EMERGING MARKET INTERNET & ECOMMERCE

### 2.1 INTRODUCTION

The internet and ecommerce revolution has not been limited to the developed world. Today, an online economy thrives and is expanding in emerging markets. Rising disposable incomes, positive reform momentum, population growth, urbanisation, an under-leveraged consumer and the widespread adoption of digital devices have become the bedrock of this new, defining megatrend – the advent of a new consuming class in emerging markets. Moreover, it is estimated that COVID-19 has accelerated digital behaviour by up to five years in emerging markets. Yet, we believe this to be just the start. The convenience of 24-hour shopping and home delivery combined with greater product selection are likely to become valuable steppingstones for continued digital adoption. Online marketplaces, direct-to-consumer brands, social commerce, live selling and voice commerce are examples of the increasingly sophisticated and targeted channels used by companies to meet end-consumers where they are the most comfortable. In the years ahead, we believe that emerging countries will go from participating in the online economy to shaping and defining its very direction. As innovation is unleashed and market competition strengthened, we believe this megatrend may be just what is needed to unlock the emerging world's next growth phase.

### 2.2 STOCK UNIVERSE

Euromonitor launched the Emerging Market Internet & Ecommerce Stock Universe ("**Stock Universe**") in September 2021.

The Stock Universe follows a classification methodology developed by Euromonitor for the research and investment communities with the objective of mapping publicly traded companies involved in internet and ecommerce related business activities in emerging markets. To be included in the Stock Universe, companies must trade on a regulated exchange, exhibit certain free float characteristics, earn a majority of their revenue from emerging market countries, and provide goods and/or services within the internet and ecommerce ecosystem.

Each company in the Stock Universe is first identified and selected using Euromonitor's in-house touch point assessment, and then carefully analysed and classified within one of the Sub-Sectors defined in Section 2.3 below.

Each company in the Stock Universe is also thematically scored for its thematic purity. Each company's thematic purity is a function of its reported revenue from internet and ecommerce related business activities in the emerging markets. Companies with greater reported revenue receive a higher score, whereas companies with lower reported revenue receive a lower score.

The Stock Universe is reviewed and updated twice per annum. As of September 2021, the Stock Universe contained 123 companies.

**Euromonitor does not accept payment from companies or third parties (acting on behalf of such companies) for inclusion into the Stock Universe.**

## 2.3 SUB-SECTOR TAXONOMY

Within the Stock Universe, companies are grouped according to a sector taxonomy (“**Sub-Sectors**”) based on their internet and ecommerce related business activity. Where companies are engaged in business activities across multiple Sub-Sectors, their reported revenue mix is reviewed with the objective of classifying them within the Sub-Sector that provides the greatest share of their reported revenue.

Companies are currently classified within one of following nine Sub-Sectors:

### Digital Commerce and Online Marketplaces

Companies in this Sub-Sector focus on transacting goods and services across online ecommerce channels only. They do not operate across physical brick and mortar retail outlets. Ecommerce channels can include own branded online websites or online marketplaces where third party buyers and sellers come together to sell goods and services. Examples of companies in this Sub-Sector include Global Fashion Group SA, which operates ecommerce platforms for fashion and lifestyle markets in Latin America, and Coupang Inc, a South Korea-based company, which sells various products and services in the categories of home goods and décor products, apparel, beauty products, sporting goods, electronics and everyday consumables.

### Ecommerce Services

Companies in this Sub-Sector provide ecommerce services that facilitate the development and enhancement of ecommerce platforms. Such services include cloud-based commerce hosting, host domain registrars, online integration tools, application software solutions and other related ecommerce services. An example of a company in this Sub-Sector is Infracommerce CXAAS SA, which provides digital solutions for ecommerce operations in Brazil and Latin America.

### Social Commerce

Companies in this Sub-Sector provide online social media virtual community platforms that allow users to share ideas, content, build virtual networks and share common interests via video and music uploads. These social media platforms generate a majority of their revenue

from advertising, and community members can also trade goods and services in these online virtual community marketplaces with other platform members. Examples of companies in this Sub-Sector include Pinduoduo Inc and Weibo Corporation in China.

#### Food, Ride-Hailing and On-Demand Retail

Companies in this Sub-Sector include businesses that operate on-demand online food delivery services, retailing of goods and services and mobile application ride share/transport services to end-consumers. These businesses operate via mobile applications or online webpages with an emphasis on convenience, quick response and delivery turnaround of goods and services. An example of a company in this Sub-Sector is Dada Nexus Limited, which operates a platform of local on-demand retail and delivery in China.

#### Digital Media, Gaming and Entertainment

Companies in this Sub-Sector provide online entertainment media content and other related media services. This includes broadcasting services, online streaming of video, tv, music, films, publishing and licencing of online games and mobile game applications. Examples of companies in this Sub-Sector include Douyu International Holdings Ltd, which provides interactive games and entertainment live streaming services in China, and Netmarble Corporation, which develops and publishes online and mobile games in South Korea and internationally.

#### Online Search, Ads and Classifieds

Companies in this Sub-Sector provide platforms for online search engines, online buy and sell classifieds for goods and services and online digital media advertising services. An example of a company in this Sub-Sector is Naver Corporation, which provides internet and online search portal and mobile messenger platform services in South Korea.

#### Online Travel

Companies in this Sub-Sector provide online travel services for accommodation reservation, transportation ticketing (e.g., airline flights, cruises and land transportation), corporate travel management and other travel-related services. An example of a company in this Sub-Sector is MakeMyTrip Limited, an online travel operator in India.

#### Ecommerce Logistics

Companies in this Sub-Sector provide logistics services such as fulfilment, last mile and express delivery services to ecommerce merchants that sell to end-consumers. An example of a company in this Sub-Sector is ZTO Express Inc, which provides express delivery and other value-added logistics services in China.

## Internet Services

Companies in this Sub-Sector include investment holding conglomerates that provide a wide range of consumer internet and ecommerce related business services. An example of a company in this Sub-Sector is South African company, Naspers Holdings, which operates ecommerce, media, social and internet platforms. Another example of a company in this Sub-Sector is Prosus NV, which operates internet platforms across retail, payments and fintech, education and health.

**Euromonitor reserves the right to add additional Sub-Sectors as the Stock Universe evolves. Existing Sub-Sectors may also be renamed as required.**

## 2.4 THEMATIC SCORE

For each company in the Stock Universe, Euromonitor calculates a unique and proprietary thematic score (“**Thematic Score**”). Each company’s score is a reflection of its thematic purity to the emerging market internet and ecommerce taxonomy. Thematic Scores are calculated by quantifying a company’s reported revenue from business activities relating to the nine Sub-Sectors of the taxonomy.

Each company’s Thematic Score is determined by using publicly available data provided by the company through its published annual financial statements, company presentations and/or official earnings press releases – and if required, through direct engagement with the company should clarification be required with respect to publicly available data. The calculation of each company’s Thematic Score is supported by the Euromonitor Research Team to account for a company’s primary product and/or service level type, maturity and market leadership, among other business considerations.

- **Level 1 Score** – Euromonitor has determined that the company derives less than 20% of its reported revenue from internet and ecommerce related business activities in the emerging markets, or no specific revenue data is reported or available which can verify the extent of the company’s reported revenue link to internet and ecommerce related business activities in the emerging markets.
- **Level 2 Score** – Euromonitor has determined that the company derives between 20% and 40% of its reported revenue from internet and ecommerce related business activities in the emerging markets.
- **Level 3 Score** – Euromonitor has determined that the company derives between 40% and 60% of its reported revenue from internet and ecommerce related business activities in the emerging markets.

- **Level 4 Score** – Euromonitor has determined that the company derives between 60% and 80% of its reported revenue from internet and ecommerce related business activities in the emerging markets.
- **Level 5 Score** – Euromonitor has determined that the company derives between 80% and 100% of its reported revenue from internet and ecommerce related business activities in the emerging markets.

### **3. REVIEW AND OVERSIGHT**

The Stock Universe, Sub-Sectors and Thematic Scores are reviewed twice per annum, in June and December.

During each semi-annual review session, Euromonitor will add and/or remove companies to and/or from the Stock Universe by reference to their most recent public filings. Any new companies will be assessed, scored and classified according to their most relevant Sub-Sector. Existing companies will also be reassessed to determine if any updates are required.

Semi-annual reviews are conducted by the Euromonitor Research Team.

## **4. APPENDIX**

For further information, please contact Euromonitor by email on [info@euromonitor.com](mailto:info@euromonitor.com).