

OPENING UP ONLINE:

HOW TO PLEASE ALL OF
THE PEOPLE, ALL OF THE TIME



THOUGHTS ON...

KANTAR

OPENING UP ONLINE



OPENING UP ONLINE

HOW TO PLEASE ALL OF THE PEOPLE, ALL OF THE TIME

How well do you know e-commerce? The answer, most likely, is not very. In a fast-moving world where today's new release is tomorrow's forgotten relic, it's easy to fall foul of myths around the significance and potential of the online platform in different parts of the retail landscape.

Truth vs legend

In sectors like fashion and entertainment, online is a well-established player with plenty of profile. However, misconceptions abound when it comes to online's place in FMCG. The perception is too often that, in terms of grocery, the ceiling has been reached. But like most preconceptions, this misses the truth. After all, some 20% of all retail spending in the UK is now done online, compared with less than 10% of grocery, so the potential is clear.

In the UK and western Europe, the infrastructure exists for online to gain a more significant piece of the market, but an historic lack of emphasis on e-commerce means there is a huge amount of headroom for growth which is yet to be exploited.

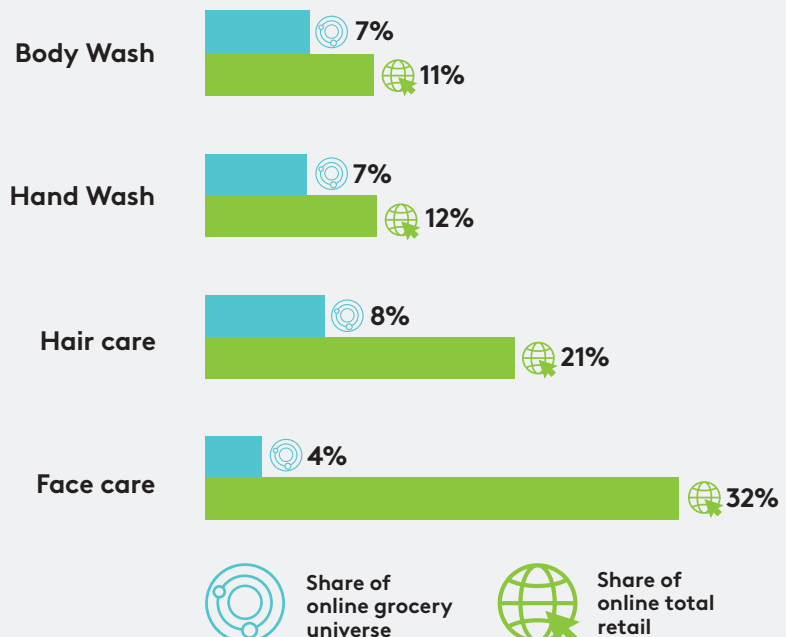
Only 3% of grocery shopping trips in the UK are done online but this translates to 7% of overall spend through traditional grocery retailers. When we broaden this out further, using our Worldpanel Plus service to track a broader picture of online FMCG retail, this grows to 9%. The gap between the number of trips made and the value they generate means that by moving only a fraction of bricks

and mortar grocery shoppers online, retailers will encourage bigger shops, more spend, and better profits.

There's a lot we can learn from looking overseas. In Asia, for example, online FMCG is booming. E-commerce now

has 19% of the market in South Korea, while it accounts for 14% in China. Globally, online FMCG continues to grow 10 times faster than the total FMCG category – and 200 times quicker than supermarkets and hypermarkets. Couple this with the

WIDENING THE MARKET BRINGS MORE ONLINE SALES INTO VIEW



well-documented growth of discount supermarkets, and it's clear what shoppers want: convenience, value and quality.

However, those three words mean different things to different people. One person's bargain is someone else's overpriced indulgence. Convenience, meanwhile, depends on myriad personal circumstances like internet access, transport links and storage space.

Everyone and anyone

In the context of what is a widely misunderstood channel, it's worth addressing the biggest misconception of all: that online shopping is only for young customers. Viewing online shopping as a millennial trend fundamentally fails to understand why shoppers choose e-commerce. Looking

again at convenience, value and quality, online offers all of these things to every demographic.

In fact, currently almost 45% of online spend in the UK comes from over 55s shoppers, while young families have the highest online penetration. To grow online, retailers must start focusing their thinking on distinct groups of consumers and how to meet their individual needs and expectations.

This is already happening in the most successful e-commerce markets around the world. In China, growth comes primarily from older people, with penetration increasing at its fastest among empty nesters and retirees. In contrast, online campaigns in the UK are too often slanted towards younger cohorts, which

THE VIEW FROM ASIA

Asia leads the world on FMCG e-commerce. Online accounted for 7.3% of Asian FMCG sales in 2017, versus 5.6% in western Europe and just 1.9% in the USA. It's a trend driven by necessity – sophisticated physical retail infrastructure hasn't historically existed in countries like China, South Korea, Indonesia and Malaysia. In Europe, it is an add on to bricks-and-mortar stores; in Asia online is the main event. There's much that UK brands can learn from advances pioneered in Asia.

Maximising mobile

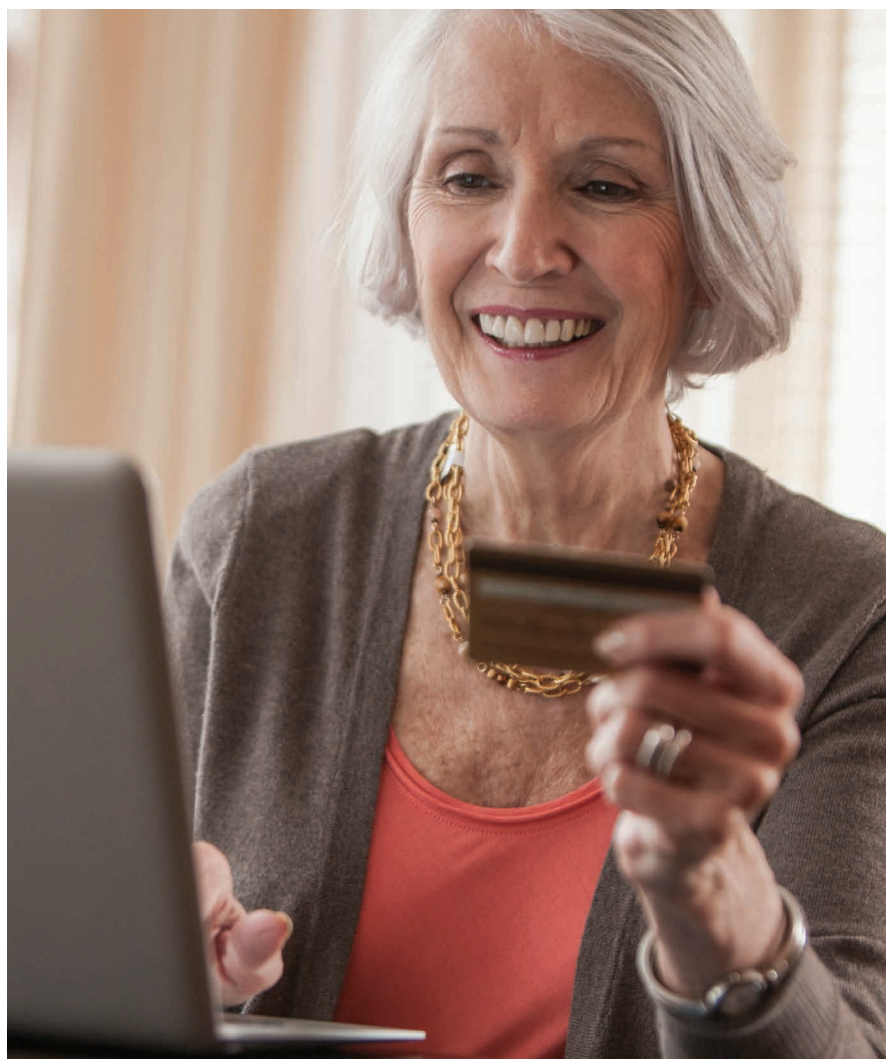
Unlike the UK, where mobile apps like Instagram or Facebook often direct consumers back to online stores, Asian shoppers can complete transactions directly through social media. UK brands should make more of the transactional and experiential potential of social platforms. This could include mimicking brands like Chow Tai Fook which has a WeChat loyalty programme for users to check points, coupons and orders.

Digital – with a human face

Asian businesses skillfully bring the store experience online, from offering personalised apps and packaging, to the way delivery teams interact with customers. Delivery staff for Coupang, South Korea's largest online retailer, will avoid ringing the doorbell if customers tell them they have young children sleeping. UK businesses need to consider how e-commerce can be a powerful extension of their brand values.

Invest in the tech

Asian brands are also leading on technology innovation. Businesses should continually invest in their digital infrastructure, from checkout and payment through to order tracking and delivery to bring added convenience. Platforms like Happy Fresh for example let consumers buy products from different grocery stores through one app with next-hour delivery.



**THERE IS NO
SUCH THING
AS ONLINE
SHOPPERS.
WE ARE ALL
OMNI-
SHOPPERS**

**AVERAGE NUMBER OF
SHOPPING TRIPS PER
WEEK IN BRITAIN**

9

**IN STORE
SHOPPING TRIPS
PER WEEK**

1.5

**ONLINE SHOPPING
TRIPS PER WEEK**

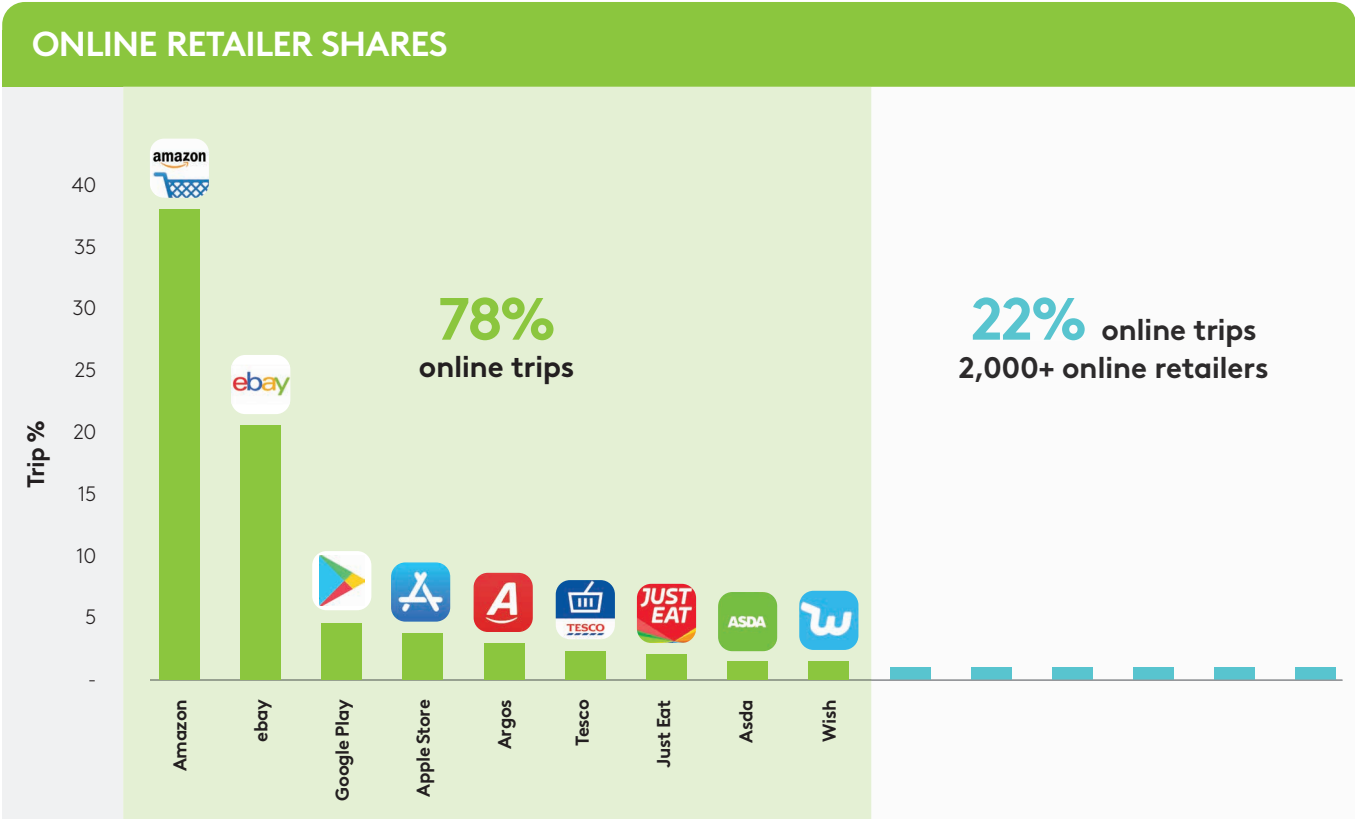
OPENING UP ONLINE

means retailers are ignoring an opportunity to engage more mature groups with money to spend.

A change in mindset is required, away from the current thinking which frames online as a distinct channel and online shoppers as a distinct group. All shoppers are online shoppers. With overall online penetration in Britain approaching 100%, it's clear that the vast majority of people have the capability and the will to buy online. Similarly, all online shoppers also visit bricks and mortar retail – in fact, even the most dedicated surfers only use online platforms for 26% of their total shopping trips. We need to view shoppers holistically, rather than segmenting 'online' and 'offline' groups, which limits our thinking and our responses to what customers really want.

More than just Amazon

Misconceptions don't stop at the demographic of grocery shoppers, the breakdown of platforms used by those customers is just as diverse. There are well over 2,000 online retail platforms



in Britain, with Tesco and Asda among the ten largest. For these two grocery specialists, Amazon's increasing move into FMCG should be a cause for concern. The giant already has 53% of online grocery spend in the USA, and its immense capability for same or one-day delivery is starting to be felt in the UK where it is growing well ahead of the grocery market.

Amazon also exists as living proof of the need for a population-wide view. Despite only holding an 8.7% share of British online grocery value, over a quarter of all online grocery trips are made at the retailer, though many are for small, specific purchases. In total almost 29% of all online grocery shoppers are Amazon grocery shoppers as well, but the vast majority spend more on FMCG elsewhere. While the online giant may be synonymous with convenience and value, it isn't front of mind for most customers when they consider their main grocery shop.

Delivering the goods

Once we know who we're targeting, how do we deliver what they want? Based on our research, speed of delivery

and convenience are the biggest two barriers for bricks and mortar shoppers to turn to e-commerce.

Making an online shopping experience quicker and more convenient than physically going to store might sound instinctive, but the answer isn't always as straightforward.

For example, 40% of online shoppers over 55 prioritise their shopping being delivered to their homes, while for just over a quarter of under 24 year olds who shop online, convenience means being able to complete orders on their phone.

Speed throws up a similar question. How fast is fast enough, and for some shoppers, how fast is too fast? We know that for almost a fifth of grocery customers, same-day delivery is their preference, while four in ten are satisfied with next day and 16% are happy to schedule delivery up to a full working week in advance. This demonstrates again that there is no single definition of an online shopper. From Ocado, currently trialling a one-hour delivery service, to traditional

HOW TO WIN ONLINE

E-commerce out-performers among our branded FMCG clients, share one common trait – adopting a consumer-centric rather than channel-centric approach.

1. Winners dramatically expand their view of consumers

Outperformers not only focus on sales execution excellence, they also invest in connecting sales content with target consumers across all digital platforms. Our Global Monitor research shows 58% of millennials prefer social networks over official brand information.

2. Winners are obsessed with consumer and shopper experiences

They understand the hyperconnected nature of the purchase decision journey in the digital age. A sharp focus on how best to use data and digital touchpoints to improve brand engagement or add utility. 55% of consumers are willing to pay more for simpler shopping experiences.

3. Winners personalise product offerings

Outperforming FMCG brands leverage their own, and third-party behavioural data to optimise online propositions. 58% of consumers expect products to be customised to their personal needs.

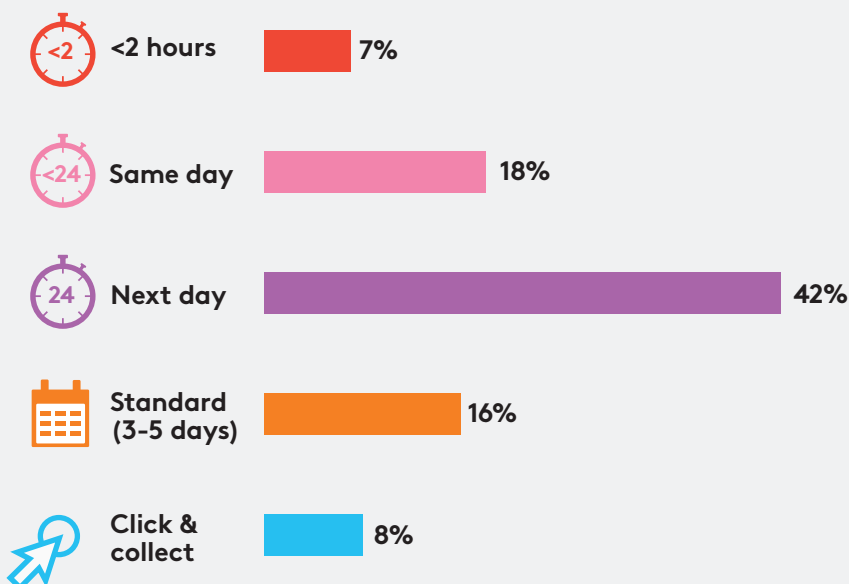
4. Winners organise themselves into high-skilled digital teams

They have moved beyond functional siloes of marketing, sales, and supply chain to create e-commerce "pods". This requires a redesign of core commercial processes, but our benchmarks show only 19% of our clients have evolved to this level.

Owen McCabe – Lead partner, digital commerce practice, Kantar

VARIABLE NEED FOR SPEED

Which of the following best describes the delivery option that suits your groceries?



supermarkets which are sticking with more conservative models, both need to ensure they offer a broad church, catering to a variety of needs and expectations.

And one final consideration: for the vast majority of shoppers who choose not to get groceries delivered, shopping in store is still seen as more convenient. Clearly, the implication here is that grocery delivery still has more barriers than just speed and convenience to overcome. Unsurprisingly, the two next most important are quality and value.

Knowing your shoppers

Convenience, value and quality. They may feel like some of the oldest tropes in retail, but in the context of an online revolution, the traditional approaches no longer cut it.

When 40% of shoppers say they would be happy to pay extra for fast online delivery, and 38% say they wouldn't, it can be hard to find an online model which suits all. As ever, the critical first step is to understand the people we're selling to and the market we are operating in. Businesses need to recognise that the typical e-commerce stereotypes don't ring true. Online shopping isn't the preserve of one group of shoppers, it's used by the vast majority of people, for a whole host of reasons. As such, it has huge potential for the grocery sector.



Our Worldpanel Plus service shows us that there are over £2 billion of online FMCG sales outside of the major grocers and e-commerce retailers. What's more, there is ample room for expansion if brands embrace the world beyond Amazon and its peers, and are clear about who their targets are and how they want to shop.

This is a dynamic space. Arguably, e-commerce has changed more in the past 20 years than the traditional store has in a century. Dipping a toe in is not going to work, total immersion is required for a brand to fully understand the market and fend off the competition. In the exciting future of e-commerce, one thing is for certain: if you don't do it online, someone else will.

Methodology

This paper's insights are based on findings from Kantar's Worldpanel Plus, a new service unlocking the power of people's smartphones. Using a custom-made app, Shoppix, Worldpanel Plus allows panellists to record their purchases by submitting receipts, and the motivations behind them, in any store, whenever and wherever.

This supplements the information generated by our main grocery shopper panel, which continually measures the purchases of 30,000 demographically representative households in Great Britain [England, Scotland and Wales].

The potential level of detail on all our panels goes far beyond that used in this report to help manufacturers and retailers really understand consumers at a granular level.

To get in touch with the team behind this Thoughts On paper please contact:

Nadya Ardianti
nadya.ardianti@kantar.com

Martin Hanscombe
martin.hanscombe@kantar.com

+44 (0)20 8967 0007

www.kantar.com/worldpanel



Published November 2019