ACCELERATING THE GROWTH OF E-COMMERCE IN FMCG

2015 EDITION

INDEX

JOINING THE E-COMMERCE RACE: A MATTER OF URGENCY

The past months have proved the true global potential of online FMCG.

Firstly, sales are rising. While online currently represents a small proportion (3.9%) of the worldwide FMCG market, the channel grew by 28% in 2014 alone. This growth is most evident in the world's most advanced e-commerce markets. In the UK, for instance, online grew its share from five to six per cent.

Secondly, since last year's 'Accelerating the Growth of E-commerce in FMCG' report, we have seen major changes in the structure of many retailers and brands, which confirm the potential they see in e-commerce.

RETAILERS & BRANDS EMBRACING E-COMMERCE

SEPT-OCT 2014
Coca-Cola and PepsiCo launch sodas exclusively on Amazon

JANUARY 2015
Procter & Gamble creates new role of Group President of e-commerce, following similar appointments at Mondelez, Diageo, Unilever and AB InBev

APRIL 2015
Unilever announces it aims to grow online revenues by 40% in 2015

MAY 2015
Mondelez International introduces 'buy now' buttons on its digital advertising and content in 25 countries, in a bid to double online revenue in the next two years. The Wall Street Journal reports that **Amazon** plans to extend its own-label range to include milk, cereal, baby food and household cleaners, all under its Elements brand

JUNE 2015
US grocery giant **Wal-Mart** announces a delivery programme to challenge Amazon Prime, and pilots unlimited three-day shipping for $50 a year. **Carrefour** unveils its Carrefour.cn site for Chinese consumers after a successful pilot

Thirdly, the numbers alone make a compelling case for e-commerce. This report uses Kantar Worldpanel data to show the real opportunities that e-commerce brings for brands, retailers and consumers:

Huge promise: with only 1 in 4 shoppers buying online on a global level, this points at enormous headroom for growth. South Korea is a great example of e-commerce potential becoming reality: the channel already has 60% penetration.

Valuable shopper profile: the typical profile is a family with young children, urban-suburban, middle/upper class. An average online shopper spends 2 to 3 times more per trip than they do offline.

Loyalty: the online share of wallet is already high. In France, for example, it is 17% compared to a 5% share of market.

An exciting future: Kantar Worldpanel estimates that by 2025, the channel will have a 15% share in China, while in the UK and France it will account for 10% of grocery shopping.

So why the urgency? Simply put: the FMCG e-commerce market is remarkably unkind to latecomers. Winning among the retailers are those which first invested. Just look at Tesco in the UK and France's E.Leclerc: both enjoying an online market share double that of their offline counterparts.

For brands, the urgency lies in getting on shopping list. Our data shows that 55% of online shoppers use the same shopping list from one purchase to the next, giving first movers a big advantage.

Unstoppable market forces are fast changing the way people shop. The increasing prevalence of mobile is one such catalyst, as consumers increasingly make purchases on the move. The emerging Internet of Things, meanwhile, has the potential to change the game yet again as more and more devices become 'smart' and connected. It's worth noting also that there are more disrupters than ever – Google Express, Amazon and Uber to name a few – as the cost of delivery is becoming less expensive for consumers each year.

Brands and retailers must decide whether to sit back and wait for consumer appetite for online grocery to reach fever pitch, or actively accelerate it, leading the market and unlocking new revenue streams. The message is clear: a passive approach will leave you behind.

With Kantar Worldpanel forecasting FMCG online sales to hit $130 billion by the end of 2025, we can confidently say the market is ready.

Stéphane Roger,
Global Shopper & Retail Director
Kantar Worldpanel

STATE OF PLAY

At one end of the spectrum we find the cauldrons of e-commerce continuing to grow online grocery shopping. South Korea, one of the world's most technologically advanced economies, has consistently been the leading country for online FMCG sales. Here, the internet channel accounts for 13.2% of grocery shopping, up from 10.2% a year ago.

Yet in countries where we might expect to see discernible adoption of online grocery – in mature economies such as Germany and the US, and emerging markets including Brazil – e-commerce's share remains small.

Such a wide spectrum of adoption represents, in the words of Kantar Worldpanel Global Shopper and Retail Director Stéphane Roger, a global "puzzle of performance" for FMCG e-commerce. Only three countries in the world exceed the average 3.9% share: the UK (6.0%), France (4.3%), South Korea (13.2%). Many countries are still under 1.5%.

Roger calls this scenario "the two tiers of online development," with the first tier (South Korea, the UK, China and France) representing those countries that invested in e-commerce infrastructure. The US is in the second tier, with only 0.8% of grocery bought online, but if this grows to just 1%, it "equates to $7 billion and that's huge," Roger says.

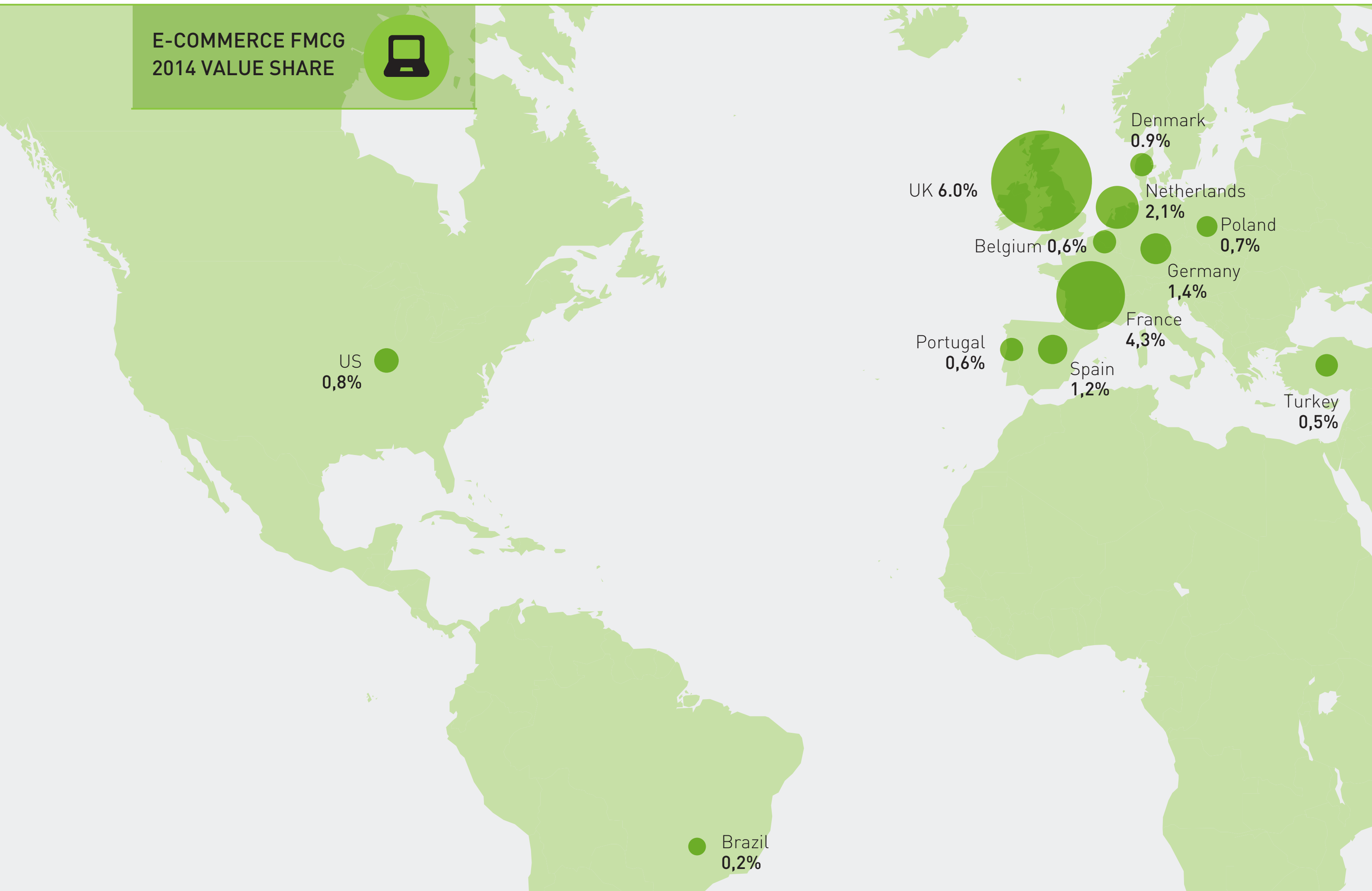
The same patchwork effect appears when we assess online's top-selling FMCG items around the globe. The three most popular items in South Korea are diapers, baby food and toilet tissue, whereas in the UK it is moist wipes, tomato products and mineral water.

Role of the retailer

Kantar Worldpanel identifies countries ripe for online FMCG by their economic development as well as growth in mobile and wifi penetration.

National adoption of online shopping also depends on whether a country's retailers are willing to invest. For example in Spain, the strategy of the country's largest supermarket chain, Mercadona, has been led by strong own-brand and fresh product offerings, with online not yet a key plank in that strategy.

Early adopters of e-commerce are now reaping the rewards. Pioneering UK grocery e-tailer Ocado Group is one example, posting its first ever annual pre-tax profits of £7.2m in February 2015.



Online everyday for Chinese

China is the fastest growing country for grocery e-commerce. Between 2013 and 2014, online in China grew 34%, in South Korea 22%, the UK 20% and France 12%.

Like India, China's economic development is uneven but in major cities like Beijing, Shanghai and Guangzhou, online is now "an everyday shopping channel for grocery," says Jason Yu, General Manager of Kantar Worldpanel China.

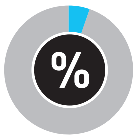
China's e-commerce giants Alibaba and JD.com are focusing more on FMCG, educating and encouraging shoppers to buy online. In China, certain categories do well, such as petfood and baby care, though big opportunities lie in food and beverages. One of China's best sellers online is UHT milk imported from New Zealand and Europe, because of its long shelf life and affordability.

Yu believes China has the potential to overtake South Korea as the leading country for online FMCG, and competition has become intense. Taiwan's RT Mart, one of China's biggest grocers, launched its shopping website, feiniu.com, in 2013 while Carrefour is about to unveil its Carrefour.cn site for Chinese consumers after a successful pilot.

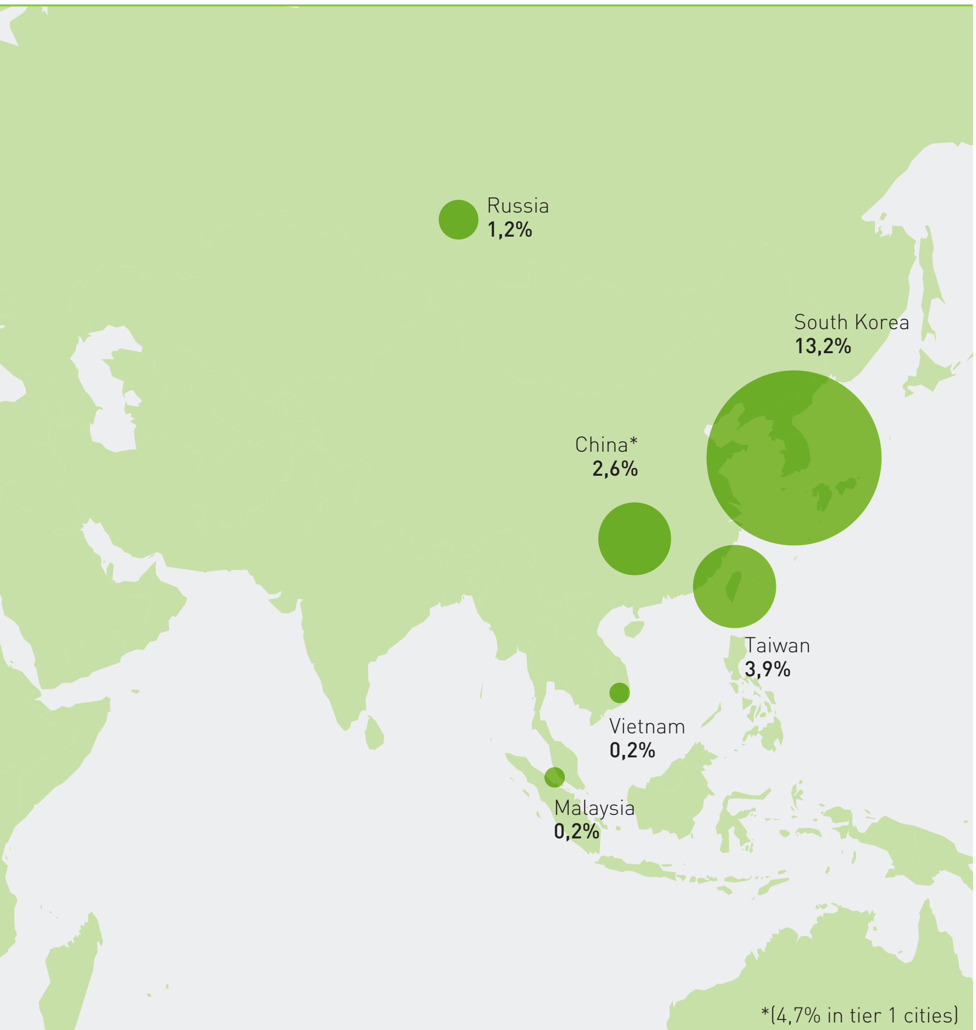
Online penetration in China will depend, as it does elsewhere, on the evolution of delivery to urban and rural areas. Yu says Alibaba's recent purchase of a stake in Shanghai YTO Express (Logistics) Co is an indicator of online's unstoppable pace of growth in the world's biggest economy.

Roger says it is "early days" for grocery e-commerce in the US, noting that it took 10 years for France and the UK to gain 5% online share. He believes the US could grow at a faster rate however, highlighting encouraging developments such as the expansion of the Amazon-Fresh grocery delivery business in San Francisco, New York and New Jersey, and Wal-Mart's tests of click-and-collect.

FMCG VALUE GENERATED BY E-COMMERCE CHANNEL
USD 35 BILLIONS



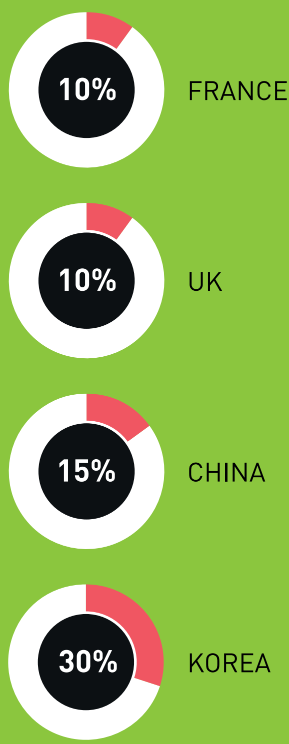
% VALUE SHARE OF E-COMMERCE IN FMCG MARKET
3,9%



Source: Kantar Worldpanel, Europanel, IRI US 2014

FUTURE FORECAST

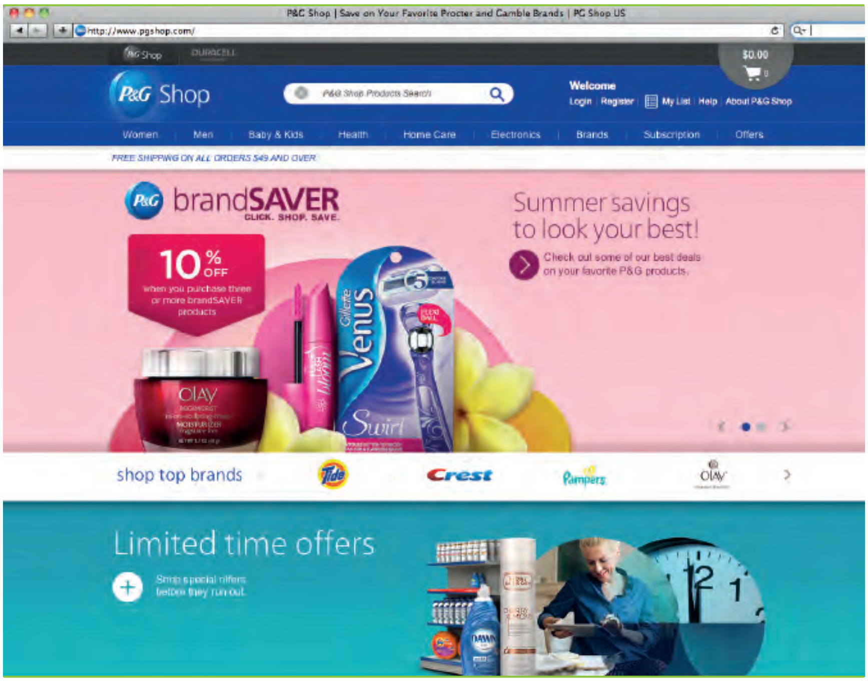
ONLINE'S SHARE OF FMCG PURCHASING IN ADVANCED E-COMMERCE MARKETS WILL DOUBLE BY 2025.



Source: Kantar Worldpanel

WHAT'S IN IT FOR BRANDS

The advantages of e-commerce for brands are myriad. Some have set up their own e-stores or more commonly, have stores on e-commerce platforms such as Amazon and Alibaba, allowing them to shift higher volumes of goods at attractive prices.



Economies of scale

For brands such as Procter & Gamble's Pampers, the task is to ensure the economies of scale in selling high volumes at low prices at pgshop.com or via the brand's Amazon e-store, are greater than those achievable by selling lower volumes at similarly low prices in bricks-and-mortar retailers.

Kantar Worldpanel data shows clear differences in terms of performance by type of category, including those catering for young families, bulky items and products at the luxury end of the spectrum.

Embracing new e-platforms

Brands embracing e-commerce are not cutting out the retail middlemen; some are working with retailers, or sidestepping the old guard to deal with new, very powerful e-tailers such as Amazon, Alibaba and JD.com. Pepsi, for example, launched its stevia-sweetened Pepsi True exclusively on Amazon in the US in 2014, backed by digital promotional videos. "Appearing on Amazon is critical for brand-building, even if your volumes are currently small," says Stephen Mader, Vice President of Digital and Retail Insights at Kantar Retail.

Wider consumer reach

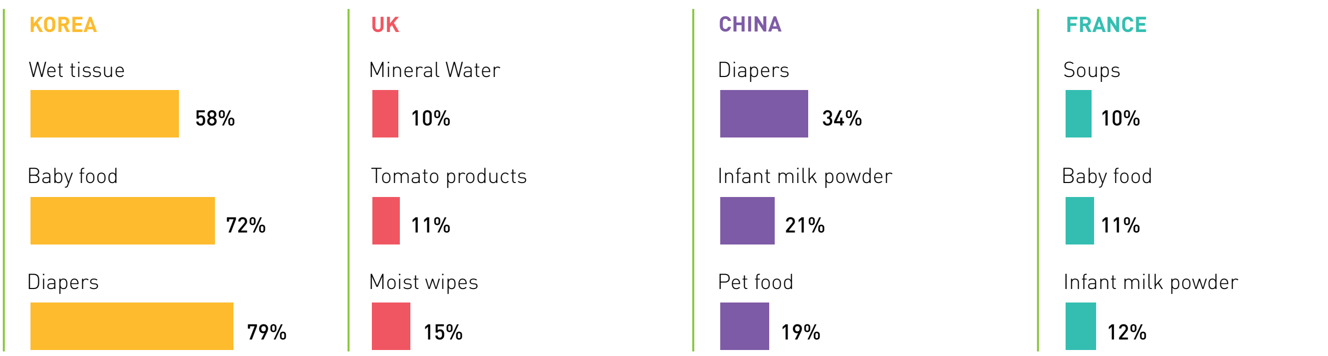
In developing markets, where bricks-and-mortar infrastructure often lags behind demand, e-commerce can help satisfy those desires and needs more promptly, to the mutual benefit of manufacturer and consumer. Western brands operating in China, such as L'Oreal, P&G and Nestlé, are finding their online share exceeds that achieved offline, as e-commerce reduces brands' dependence on selling through physical stores.

MANUFACTURER SHARE, ONLINE AND OFFLINE, IN CHINA

	Value in Mio	% share within category online	% share within category offline
L'OREAL	1,343	4,2	1,1
P&G	1,294	4,0	2,7
NESTLE	701	2,2	1,8
KAO	564	1,8	0,2
UNILEVER	324	1,0	1,3
AMWAY	318	1,0	1,0
MARS	295	0,9	0,7
UNICHARM	192	0,6	0,3
JIAHUA	184	0,6	0,3
J&J	150	0,5	0,3
YILI	140	0,4	2,9
MONDELEZ	130	0,4	0,9

Source: Kantar Worldpanel

CATEGORIES WITH THE HIGHEST ONLINE SHARE



Source: Kantar Worldpanel

Challenging own label

E-commerce offers an alternative selling channel to brands, away from the intensely competitive traditional grocery scene. Pampers, for example, has been competing hard with UK grocers' growing own-label babycare ranges since Huggies Nappies' UK exit in 2012.

Access to behavioural data

Offline, the loyalty card is the most sophisticated means of amassing meaningful behavioural data on shoppers. Online, the opportunities to collect meaningful behavioural data on shoppers are endless, from detailed demographics to consumers' clickstreams and online shopping yields. Such granular information allows retailers to know what shoppers want before they do themselves, steering them to highly personalised 'next best' offers.

Shopping list loyalty

Shoppers are more likely to repeat purchase certain brands online because websites remember what they bought previously and can remind them. Kantar Worldpanel data shows that 55% of online shoppers use the same list for their next shop, and repeat brand purchase is twice as likely online compared to in-store.

55% OF ONLINE SHOPPERS USE THE SAME LIST FOR THE NEXT PURCHASE

5 MOST IMPORTANT BRANDS ONLINE IN TERMS OF PURCHASE 2015

L'ORÉAL
P&G
Nestlé
Kao
Unilever

WALKERS
HEINZ
Kellogg's
Birds Eye
Warburtons

Nestlé
DANONE
Coca-Cola
Herta
LU

Source: Kantar Worldpanel

CASE STUDY

BIRDS EYE, UK: CREATING AN ONLINE EXPERIENCE

Neil Barker
Sales Director,
Birds Eye

As one of the top five most important brands online in terms of purchase in 2015, Birds Eye is a key driver of online grocery sales in the UK. E-commerce accounts for 10% of the Iglo-owned brand's UK business, a figure the company plans to double in the next five years.

"With the overall frozen category accounting for 7.5% of the total market in-store and online accounting for 8.8%, the category is broadly over-indexing by 17%," says Neil Barker, Birds Eye's sales director. "Birds Eye's online sales are over-indexing by nearly 30%, thus out-performing the total category almost twice over."

Online, Birds Eye is trying to create what it calls the 'perfect store'.

For Birds Eye, online removes the physical barrier of frosty freezer doors in store and circumvents often uninspiring and cold frozen food sections in bricks and mortar retailers.

There are other benefits too. Birds Eye's efforts online are attracting more shoppers, particularly the younger and more affluent, who have less time and typically do not buy frozen in conventional stores.

WHAT'S IN IT FOR RETAILERS

An online presence is fast becoming crucial for retailers the world over, as FMCG sales growth falters. In Asia, the 8.8% growth of 2013 has slowed to 4.1% in 2015; in Europe, the 2.2% increase the market saw two years ago has slipped into reverse, with -0.1% in the past year.

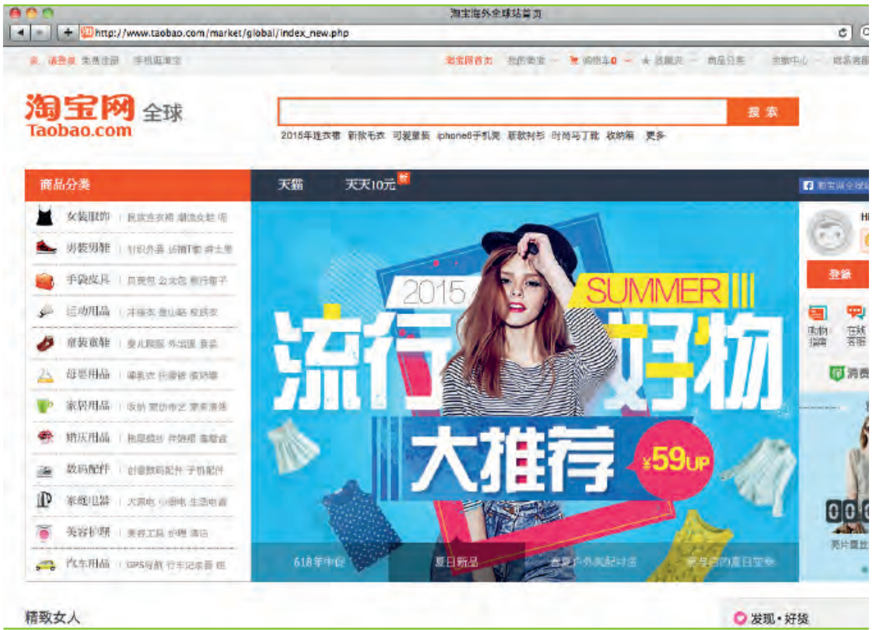
Macro-economic factors are playing a part in this dwindling growth, as is the continuing rise of the hard discounters, which now command a 6.9% value share of the FMCG market globally. That figure peaks at 22.4% in Eastern Europe and 15.9% in Western Europe…and counting.

As shoppers switch to the discounters, others are going online. Neither trends show any signs of slowing.

Loyal e-shoppers

In the UK, part of Asda's five-year strategy is to grow online sales revenue to £3bn by 2018, and in France, E.Leclerc is spending more than €1bn over the next three years to transform its digital platform and increase online revenue, which it says currently accounts for just €2bn of its €44bn turnover.

Retailers are staking this investment because, in the UK and France at least, there is growing evidence that the loyalty of online shoppers to store is greater than that of the average offline shopper. This dispels the myth that e-commerce doesn't generate loyalty and instead offers a major opportunity.



Of course loyalty on- and offline can work together. In December 2014, Chinese e-tailer Alibaba's Taobao Marketplace held its annual 12.12 online sale and triggered an offline rush as shoppers descended on stores to redeem e-vouchers issued as part of the activity. Some outlets extended opening hours to cope with demand. The company says a further 4.8 million people ordered food online during the sale.

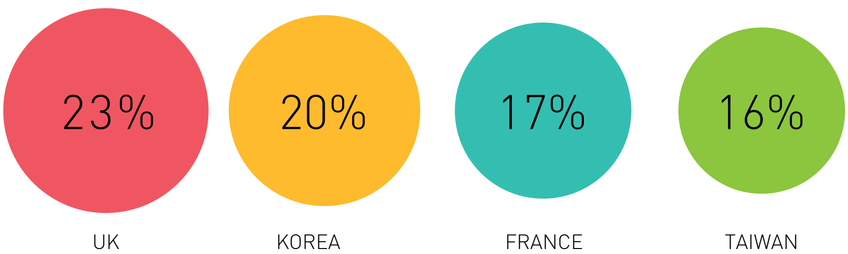
Pick and pack: the search for efficient models

Two models of goods selection for online customers have emerged: in-store picking or selection at a warehouse.

An in-store 'picker' can select around 70 products an hour for online orders, while efficient picking at a dedicated warehouse can source between 300-400 products per hour, representing a big difference in productivity.

France's Carrefour – which has invested heavily in renovating its hypermarkets and takes on the cost burden of pickers – is struggling to make a profit but E.Leclerc is profitable thanks to a web platform it has rebuilt from scratch and its Drive warehouses.

ONLINE SHOPPERS ARE LOYAL
Online share of wallet



Source: Kantar Worldpanel

CHINA'S TOP ONLINE RETAILERS
Value share (online)

TAOBAO	27.5
TMALL	9.9
YIHAODIAN	7.5
JD.com	6.8
DANGDANG	0.6
AMAZON	0.6

Source: Kantar Worldpanel

Stealing a march on discounters

Easier, quicker and more convenient: online grocery shopping provides added value for consumers and gives retailers a point of difference from the discounters. The challenge for retailers is making it pay.

E.Leclerc says its €1bn investment in e-commerce infrastructure has allowed it to do just that, and in five years' time its competitors will no longer be rival supermarkets such as Hyper U or Carrefour, but Amazon.

The online giant is taking similar steps in this direction. Following a trial in the Seattle area, the company rolled out its AmazonFresh home delivery service to other US cities, allowing customers to place a grocery order by 10am and have it delivered in time for dinner. In May 2015, the Wall Street Journal reported Amazon's plans to expand its own-label grocery range to milk, cereal and babyfood, as well as household cleaning products.

It's still early days for AmazonFresh, but its potential is clear. "Their advantage is they have the ability to co-locate fresh offering with existing van deliveries, a more convenient fulfilment option for shoppers," says Stephen Mader, Vice President of Digital and Retail Insights at Kantar Retail. "This would certainly be disruptive."

CASE STUDY

ALIBABA: DELETING THE 'E' FROM E-COMMERCE

Jason Yu
General Manager,
Kantar Worldpanel China.

Alibaba – parent of Taobao and Tmall – is China's online retail giant, accounting for more than 80% of the country's internet sales.

It has come a long way since starting up as a site for B2B exporters in 1999. Back then, physical stores could not be built quick enough to service China's burgeoning second, third and fourth-tier cities.

So in 2003, Alibaba launched online C2C marketplace Taobao (meaning: 'searching for treasure'). To cater for an increasing amount of Western brands wanting to sell to Chinese consumers, Alibaba unveiled B2C site Taobao Mall in 2008, which eventually became Tmall.

"Most Western FMCG brands in China will use Alibaba's platform to set up B2C online stores, because it guarantees the necessary traffic and because of recent efforts to clamp down on counterfeit brands", says Jason Yu, General Manager of Kantar Worldpanel China.

Yu says brands will pay for prominence on Alibaba, with banners assuring consumers of their authenticity.

To help fund its continuing expansion, Alibaba Group floated on the New York Stock Exchange in September 2014 - the biggest stockmarket flotation in US history.

Comparisons with eBay and Amazon underestimate the scale of Alibaba's ambitions, with the company even dropping the 'e' from its mission statement. "Alibaba isn't just a retailer," Yu explains. "It is creating an ecosystem where consumers can live, be entertained, communicate on social media and get finance to buy things."

WHAT'S IN IT FOR CONSUMERS

They might be on opposite sides of the world, but when it comes to what consumers are buying online in Asia compared with their European counterparts, shopping baskets are very similar.

Baby products feature in the top three most popular categories shopped online in Korea, China, the UK and France, with nappies commanding a 79% value share of the category online in Korea, according to Kantar Worldpanel data.

Bulky items including pet food and bottled water also have an e-commerce advantage, with pet food holding a 19% value share of the category online in China, and water a 10% share in the UK.

Behind the data lie the human motivations driving grocery e-commerce. We asked two online grocery shoppers, thousands of miles apart, about its attractions for them.

	Who: Kim Yoo-Kyung, 38. **Lives in:** South Korea with her husband and their daughter, eight, and son, five. **How Kim shops:** Online several times a week using her mobile phone on the move.	**Who:** Matthew Williams, 27. **Lives in:** A flat with his partner Sam, 28, and their two cats. No access to a car. **How Matthew shops:** Online once a month from home.
Why do you shop for groceries online?	"It's convenient and helps relieve stress from work. Online shopping malls have the same products with same quality that I can buy at offline stores, often at a cheaper price. I shop using my mobile, including on my way to and from work."	"Living in the city it's hard to do a big shop unless you get a taxi home, and if you're paying for a taxi you may as well pay to get it delivered."
Are you loyal to one store and certain brands?	"I shop at different stores, depending on the products I need to buy. Emart, the number one hypermarket in South Korea, is where I buy groceries. I use Gmarket, an e-tailer run by eBay, to buy household items."	"The supermarket websites are all accessible and have a very similar user experience. I shop at Tesco as it's a bit cheaper than other supermarkets. I've also ordered from Sainsbury's and Ocado."
What do you buy online most often?	"When my children were younger, I bought nappies and milk powder every week from the same store. I also buy cosmetics by the exact same brand on the same online store. Seventy per cent of the items I buy online are the ones I have already bought from the same websites or retailers in the past."	"Things that will last and heavy things: cat litter, cat food, tins, pasta, toiletries, drinks, frozen goods and ice cream."
Is there anything you don't buy online?	"I don't buy fruit or vegetables because I had a bad experience of buying fruit that was not best quality."	"Fresh food. If I buy fresh food with my online shopping, I tend to have a lot more waste food at the end of the week."
What are the benefits of shopping online?	"I can buy items I need without going to supermarkets after a long day at work. Most of the products are a good price and quality, and I can read reviews or comments from other consumers."	"You can either wade through crowds of people and carry heavy shopping bags home, or you can shop online in your pyjamas and get it delivered to your door. Online shopping is much easier, less stressful and more convenient."

HOW TO WIN IN GROCERY E-COMMERCE

For brands and retailers at the start of their e-commerce journeys, the good news is that there is much to learn from those that have gone before.

These pioneers know the steps to delivering the essential elements of grocery e-commerce, which need to be got right to attract and retain shoppers.

1. Prepare to invest

To make FMCG e-commerce work, significant investment is required, from web design to delivery logistics.

An e-commerce operation is, in effect, retail overlaid with technology and requires web specialists, a dedicated head of e-commerce and online sales staff with clear objectives and revenue targets.

Nestlé has a large dedicated team at its Swiss headquarters, while Mondelez International and Diageo have made recent senior e-commerce appointments. In January 2015, P&G indicated its intent by creating the new role of group president of e-commerce.

Among retailers, French hypermarket chain E.Leclerc stands out for e-commerce ambition and substantial investment in its Drive click-and-collect service, creating over three years around 10,000 new jobs.

But this level of commitment is by no means universal. "The biggest point of contention is lack of headcount resource, by both brands and retailers", says Stephen Mader, Vice President Digital and Retail Insights at Kantar Retail. "Retailers tend to under-resource e-commerce and brands tend to give e-commerce to someone who is junior or where it is only part of their job."

2. Understand shopper motivations and needs

While there is a wealth of research on how people shop in bricks-and-mortar stores, there is still much to be learned about online shopping.

Motivations and barriers to online shopping vary from market to market. Kantar Worldpanel research shows that while convenience and time-saving are common motivations, online shoppers in Spain highlight the promotions available, while those in China emphasize competitive prices and variety of products.

Internet shoppers in Korea complain about the payment system and the difficulty of returning items, while French consumers highlight a lack of choice and a lack of promotion.

3. Structure your site for easy navigation

Navigation is fundamental to the website experience and this means keeping things as simple as possible, providing attractive visuals, shopping lists for repeat purchases, direct access to categories and effective search. The best e-commerce sites offer more than one way to search – Coad, for instance, allows search for individual products, multi-search for a list of products, and a more general browse facility.

4. Encourage impulse

With more than half of FMCG items bought from saved shopping lists, encouraging online impulse purchasing is a big challenge for brands and retailers. In supermarkets, end-of-aisle promotions provoke impulse purchases, but how do you replicate this online?

'Extra aisles' – screens that prompt additional purchases before a transaction can be completed – may help, but they should not be overly intrusive, should add value and should be easy to skip through quickly.

One effective tactic is to prompt shoppers to buy products related to those already in their basket: add a cola drink to a pizza purchase, for instance.

5. Link with social

Social media and e-commerce are natural bedfellows. In September 2014 Coca-Cola chose Amazon for the relaunch of its 1990s soda brand Surge, after fans lobbied for its return on Facebook. The event was first announced on the brand's Facebook page supported by the brand's own Twitter account, which directed shoppers to Amazon.

6. Entertain me

Portraying grocery products in an engaging and interesting way is a challenge. Video is one option, but may not be appropriate for all products or all categories. "Amazon provides a lot of detail, including video, which is fantastic if you are buying a TV, but maybe not if you are trying to buy a bottle of ketchup," says Mader.

Online shoppers want to be entertained and that rich-media content such as video is important for building brand equity, especially in a niche category or a new product line.

WINNING DELIVERY MODELS

The biggest and most expensive challenge for grocery e-commerce is the 'last mile' – getting the products to the shopper.

There are two business models for delivering goods: home delivery and the click-and-collect model, pioneered by E.Leclerc, which has more than 3,500 collection points across France, even in the most rural areas.

Stéphane Roger says that Drive is "very French" and works because it suits a country where hypermarkets have encouraged big monthly shopping trips, with Drive's added time-saving benefit.

In other markets, click-and-collect is less advanced. In the UK, Tesco Direct offers free next-day collection from any Tesco store for orders placed before 5pm.

Home delivery presents two challenges to shoppers: they have to be at home to receive the delivery and potentially pay a fee, which can add 10% to the bill. For retailers, getting delivery times down to one-hour slots helps overcome the first hurdle, and they are diversifying delivery options to deal with the second.

Click-and-collect will typically be free and home deliveries can be segmented into next-day delivery for a small fee and same-day delivery for a larger fee, with perhaps express delivery for an even larger fee.

Retailers typically provide free delivery for purchases above a certain level (£40 in the UK, for instance, €50 in Spain). While this may work for the big weekly or monthly shop, the minimum spend discourages top-up shopping.

Some retailers have adopted membership schemes along the lines of Amazon Prime, where consumers pay an upfront fee to enjoy free delivery and other benefits. For instance, Ocado's Smart Pass costs an annual £109.99, which the retailer says can save weekly shoppers up to £246.50 a year, compared with the peak delivery charge of £6.99.

Established in 2000, Ocado finally announced its first profits in year-end November 2014, a result it puts down to pushing more goods through its highly-mechanised distribution centres.

The company is now increasing its investment by more than a third to £150m, to open new centres and increase the size of its fleet of vans.

As well as offering benefits to shoppers, such schemes help the retailer by locking in consumer loyalty.

FOUR MYTHS DEBUNKED

In this report we have showcased the retailers and brands seizing the e-commerce initiative.

But for every Unilever, Danone, E.Leclerc or Tesco, there are still manufacturers and retailers that need guidance on dispelling the myths that have grown up around online grocery.

1. Online will remain a small channel

Brands and retailers realise it is time to invest in e-commerce and to do so quickly. The size of the prize is huge; consider China, where adding 1% share means grocery e-commerce would be worth $6 billion annually.

Furthermore, the pace of growth is accelerating – average e-commerce penetration rate is now at 24%, up from 20% last year.

2. Online cannibalises bricks and mortar

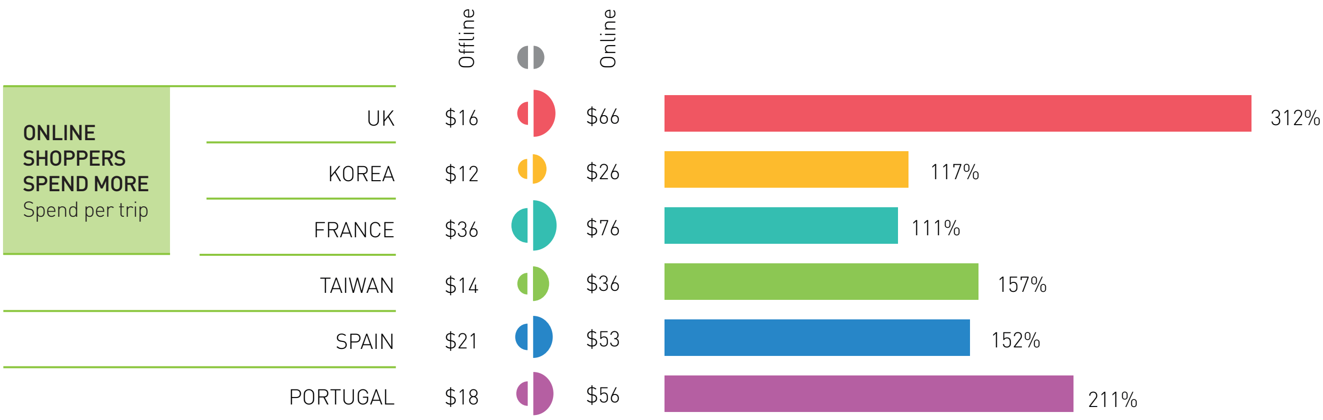
A key strength of FMCG e-commerce lies in encouraging extra purchases through stored shopping lists and relevant offers. Kantar Worldpanel data provides empirical evidence that when a consumer moves to buying online, their spend increases; in the UK, the average boost in spend is 4% in the next year.

3. E-commerce does not generate loyalty

Because of the capital investment required in e-commerce, loyalty is crucial to its profitability. Another key strength of online is its ability to encourage repeat visits by delivering good user experiences. In the UK, online shoppers' average share of wallet is 23%, rising to 30% for repeat shoppers. If we break this down by retailer, loyalty to online stores is greater than to their physical counterparts.

4. The online shopper is not as valuable as offline

We've seen how convenience is a big driver of online grocery shopping, attracting time-poor, middle-to-high income singles and families with young children. The 'lie' that online shoppers are not valuable to brands and retailers is exposed when we consider that spend by trip is two or three times bigger than offline. In South Korea, for example, consumers spend on average $26 per online trip compared with $12 in a bricks-and-mortar store.



Source: Kantar Worldpanel

FOR MORE INFORMATION PLEASE CONTACT

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ABOUT KANTAR WORLDPANEL

Kantar Worldpanel is the world leader in consumer knowledge and insights based on continuous consumer panels. Combining market monitoring, advanced analytics and tailored market research solutions we deliver both the big picture and the fine detail that inspire successful actions by our clients. Our expertise about what people buy or use – and why – has become the market currency for brand owners, retailers, market analysts and government organisations internationally.

With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, we deliver High Definition Inspiration™ in fields as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, among many others.

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