

# JUST A CLICK AWAY

DIGITAL ENABLEMENT AND  
THE ONLINE SHOPPER

JULY 2015



nielsen  
.....

AN UNCOMMON SENSE  
OF THE CONSUMER™

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## OVERVIEW

Technology has fundamentally transformed the way industries such as music, books and video operate.

In the consumer packaged goods (CPG) industry, change has been more evolutionary than revolutionary, but digital is redefining what it means to “go” shopping. Lines between the physical and digital worlds are blurring. Shoppers are growing accustomed to the benefits of digital in other retail settings and are beginning to expect them in grocery as well. Savvy retailers are winning by leveraging technology to enhance the shopping experience and meet consumers’ evolving desires.

Increasingly, retailers are introducing e-commerce models that make it even easier for tech-savvy, time-crunched consumers to get the items they need.

Of the respondents surveyed in the Nielsen Global E-commerce and the New Retail survey:

- 14% say they use an automatic online subscription service, in which orders are routinely replenished at a specified frequency, with more than half (54%) are willing to do so in the future
- 13% say they’re already using a virtual store and nearly 6-in-10 (58%) are willing to use them when they become available
- Just over 1-in-10 say they order groceries online and pick them up in-store or using a drive-thru (12% each)
- More than half, however, are willing to use these online options in the future

Among online Australians, online shopping is now the norm. There are scarcely any who don’t purchase at least one item over the course of a year. In fact, 1-in-4 online Australians make online purchases at least weekly.

Online offerings of traditional bricks and mortar retailers are also fast becoming prominent against online retail pure-plays. Chemist Warehouse achieved significant growth in popularity among online shoppers in the cosmetics category. In fashion, retailers like Target and Myer increased their reach.

But online shopping is a global experience, and despite improvements of home-grown online retail offerings, Australian consumers continue to purchase from abroad – a trend that is most likely here to stay as younger consumers are the most likely to do so.

## AGE MATTERS WITH DIGITAL SHOPPERS

The growth of online CPG sales has been driven in part by the maturation of digital natives, the consumers who grew up with digital technology (the Millennials and now Generation Z). These consumers have an unprecedented enthusiasm for and comfort with technology, and online shopping is a deeply ingrained behaviour.

- Current usage of six e-commerce options (home delivery, in-store pickup, drive-through pickup, curbside pickup, virtual supermarket and automatic subscription) is greatest among the youngest respondents, and they are also the most willing to use all of the e-commerce options in the future.
- For example, 30% of Millennials (ages 21-34) and 28% of Generation Z (ages 15-20) respondents say they're ordering groceries online for home delivery, compared with 22% of Generation X (ages 35-49), 17% of Baby Boomers (ages 50- 64) and 9% of Silent Generation (ages 65+) respondents. Younger respondents are also the most willing to use all of the e-commerce options in the future.

Millennials (age 21-34) are a coveted demographic for marketers in just about any industry, and e-commerce is no exception. This age segment has grown up in the digital era, so this comes as no surprise. But while Millennials comprise more than half of respondents (53%) who plan to make an online purchase across every product category in the study, older generations represent a sizeable 40% share, too.

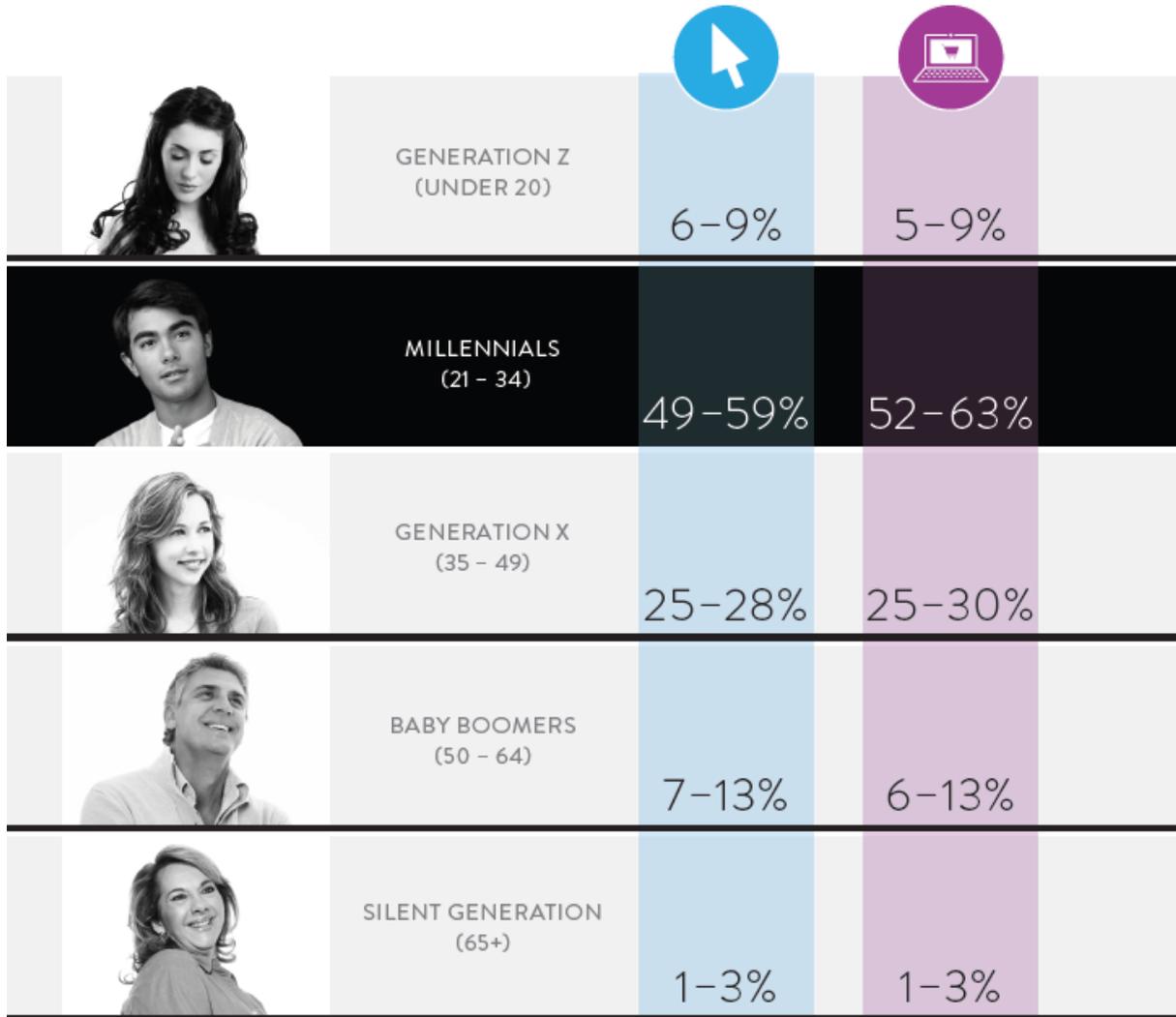
Reaching older age segments, however, is much more fragmented territory than with their younger counterparts. As expected, the older the age, the greater their decline in online shopping.

Interestingly, the mix of age groups is consistent when you look at the purchase behaviour for every category in the study. While overall purchase intention rates are higher and lower in one category or another, the generational mix is roughly the same regardless of the category. This suggests that once an online shopper, always an online shopper.

## MILLENNIALS MAKE UP THE MAJORITY OF ONLINE PURCHASE INTENDERS

GLOBAL AVERAGE  
PERCENT OF THE POPULATION RANGES THAT MAKE UP  
ONLINE PURCHASE INTENDERS FOR 22 CATEGORIES

WILL BROWSE ONLINE WILL BUY ONLINE



Source: Nielsen Global Survey of E-commerce, Q1 2014

## E-COMMERCE WILL GROW, BUT BRICK-AND-MORTAR STILL PLAYS A ROLE

Will clicks replace bricks? Not anytime soon. Online shopping has a number of benefits, but physical stores also have strong key advantages over e-commerce—especially for fast-moving consumer goods.

Aside from the obvious in-store benefit of fulfilling immediate shopping needs without paying shipping fees, there are powerful sensory experiences—smelling freshly baked bread and seeing and feeling the vibrant colour and texture of perfectly ripe strawberries—that is virtually impossible to replicate online. It's also difficult to match the power of human interaction and the thrill of unplanned discovery that physical stores can provide. Just as important, for many consumers, grocery shopping can be a fun activity that generates positive feelings. In fact, the majority of global respondents (61%) believe going to the grocery store is an enjoyable and engaging experience. A similar percentage (57%) thinks grocery shopping in a retail store is a fun day out for the family.

## KNOW YOUR SHOPPER – AND BE RELEVANT

Little things can make a big difference. When it comes to growing an online shopper base for consumable categories, knowing what drives behaviour is vital to increased engagement. And, of course, not all shoppers want the same things.

While some shoppers treasure convenience and are less risk averse, others need research and reassurance before making a purchase. Still others are bargain hunters, always on the hunt for a good deal. And then there are the sceptics. For these cynical shoppers, overcoming negative online perceptions can be the difference between a doubter and a devotee.

Regardless of shopper classification, when it comes to shopping online for consumable products, the experience must be convenient, cost-effective and safe. Companies that address these critical components will be best-positioned for online success.

In 2014, already half of online Australians pull out their smartphone or tablet in-store to research products prior to purchase, making for an increasingly competitive marketplace where consumers have ready access to competitor information.

## **SHOPAHOLICS**

Online shopping for these global respondents is convenient (76%) and fun (64%). They like getting email notifications from retailers (46%), and they manage their grocery lists using a mobile app or via an online tool (35%). As these shoppers represent active online participants, marketers should leverage a full suite of online strategies to keep them engaged. Offering tools that remember past purchases, and providing flexible return policies and pick-up options will help keep these shoppers coming back for more.

## **RESEARCHERS**

Knowledge is king for these global online shoppers who like to read online reviews prior to purchasing a product (71%). They spend a considerable amount of time researching products before buying (61%). Social media is a helpful tool in reaching these consumers who often connect with friends, family and strangers to help make purchase decisions (43%). To satisfy their need for knowledge, offer detailed product descriptions and product images. Posting review forums and product reviews will help to build trust.

## **SAVERS**

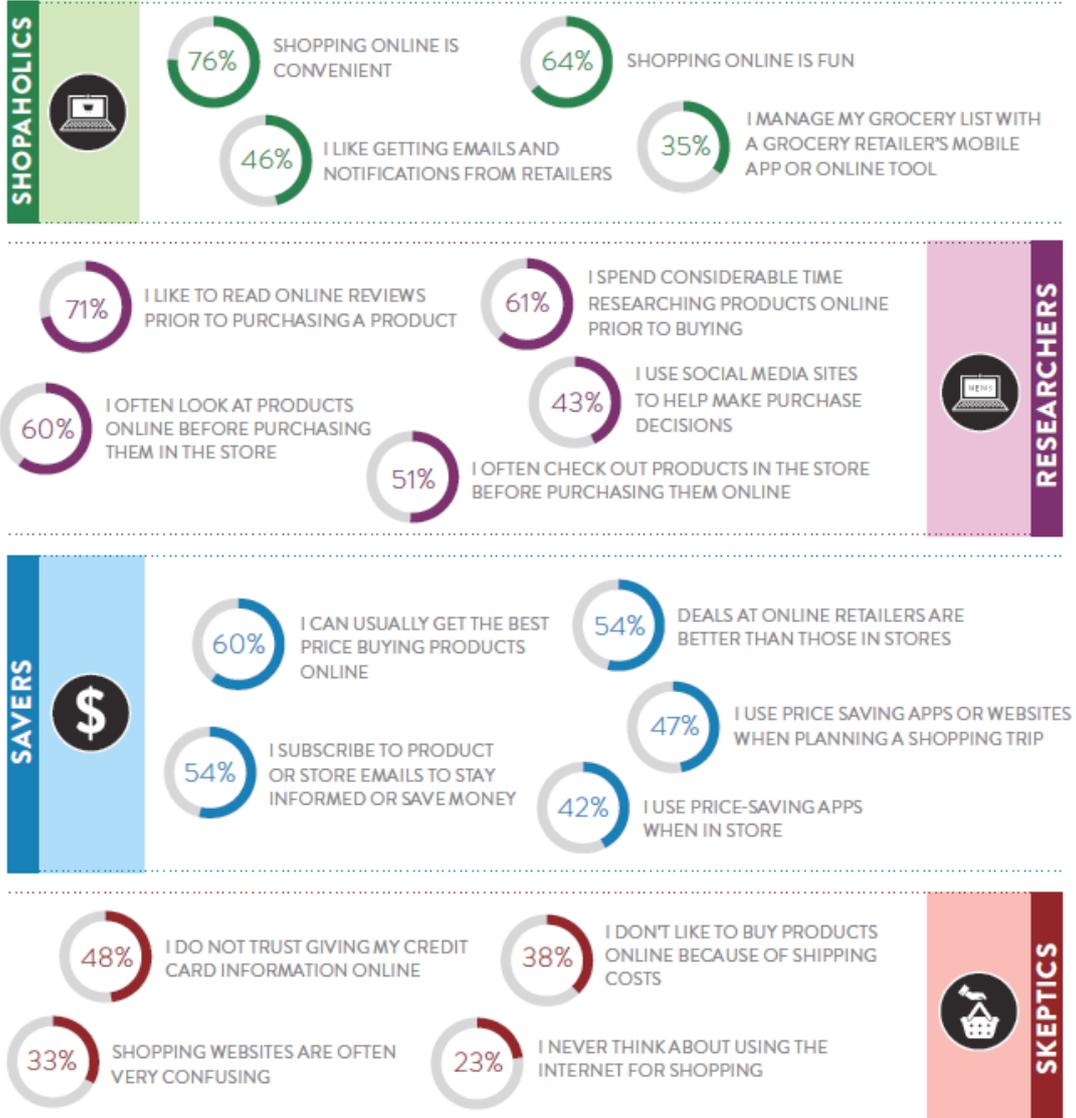
Savvy savers are always on the hunt to find the lowest prices. These global shoppers believe they get the best prices online (60%), and they find deals that are better than those offered in the store (54%). They subscribe to product and store emails to stay informed and to save money (54%), and they use price-saving apps or websites when planning a shopping trip (47%) and when in the store (42%). When reaching these consumers, consider pricing and promotion strategies that are competitive with or better than in-store offerings. Offer online coupons and free shipping delivery options to help keep costs low for these shoppers.

## **SKEPTICS**

Privacy and security are worries for these global respondents who are wary of giving their credit card information online (48%). To help alleviate concerns, assure shoppers that their information will be kept confidential by including security notifications at checkout. Shipping costs (38%) and confusing websites (33%) are other barriers for these sceptical shoppers. Free shipping is important here, too, as is clarity of presentation. To increase digital engagement, then, retailers must deliver on multiple shopper needs for lower prices, quality choices and peace of mind. Easy-to-navigate websites that offer a wide selection of well described, unique products with plenty of images and have proper security protocols are a must.

## GLOBAL SHOPPER ATTITUDES FOR BUYING CONSUMABLE PRODUCTS ONLINE

### PERCENT OF GLOBAL RESPONDENTS WHO AGREE WITH THE FOLLOWING STATEMENTS



Source: Nielsen Global Survey of E-commerce, Q1 2014

## BRIDGING DIGITAL WITH IN-STORE

E-commerce is only part of the digital picture. A complete digital strategy includes interaction at every point along the path to purchase, including finding stores, making lists, checking prices, researching products, sharing content and purchasing. These touch points occur both in and out of stores, and consumers are increasingly using technology to simplify and improve the process.

In-store digital enablement options can bring the ease, convenience and personalization of online into brick-and-mortar stores. Instituting digital strategies into the in-store experience is not just nice-to-have, these options can increase dwell time, engagement levels, basket size and shopper satisfaction.

Retailers have a lot of room to grow when it comes to in-store digital enablement options, such as mobile coupons, lists and shopping apps, and in-store Wi-Fi availability. Today, only a small percentage of consumers around the world are already using such features, but willingness to use them in the future is high.

Use of online or mobile coupons (18%) and mobile shopping lists (15%) are the most cited forms of in-store digital engagement in use today among global respondents, with about two-thirds willing to use them in the future (65% and 64%, respectively). Downloading a retailer/loyalty program app on a mobile phone to receive information or offers is used by 14% of global respondents, and 63% say they're willing to use one when it is available. About one-in-10 global respondents say they login to store Wi-Fi to receive information or offers (12%), use in-store computers to view extended product ranges (11%) or scan QR codes to access more information (11%). Roughly two-thirds, however, are willing to use these options in the future (66%, 68% and 65%), respectively.

## STRATEGIES FOR E-COMMERCE SUCCESS

While brick-and-mortar stores dominate the grocery shopping experience, e-commerce is a growing business that is still in its nascent stage in many parts of the world. Success in e-commerce does not come easy, but early movers often establish difficult to-overcome positions and advantages. So how can retailers and manufacturers capitalize on this opportunity?

- **Establish credibility and exceed expectations:** Many consumers are hesitant to try online shopping, so it's critical that retailers exceed consumers' expectations during every interaction, especially the first. To ease concerns about product quality, retailers should offer quality assurance programs that provide recourse for items damaged in transit or that do not meet consumers' expectations. Orders must be delivered or ready for pick-up within the specified time period, and retailers must alert consumers immediately if their order cannot be fulfilled as expected.
- **Make it easy:** Functionality and ease of use should be top priorities in website and app design, help should be readily available, and the checkout process should be simple and secure. If shoppers run into slow load times or confusing/difficult-to-use pages, they could abandon their digital shopping carts prior to purchase.
- **Know the market:** Demographics, operating costs, the competitive landscape and consumer preferences vary greatly by market. One size doesn't fit all, so retailers should consider the operating environment and cater strategies to the local market.
- **Understand shopping occasions and consider specializing:** Many modern retail models take a "full-service" approach, attempting to serve all trip types and categories. But as we've seen, some categories and shopping occasions are better suited to e-commerce than others. Settling for a smaller piece of the pie may be more profitable. Retailers should consider a limited offering model, focusing on stock-up trips within a specific shopping segment, such as baby goods, dry goods or personal care items. If retailers wish to expand their product selection, they can consider partnering with other sites.
- **Consider alternative approaches to ordering and distribution:** Experiment with formats and features that boost basket size while adding value for customers. Also, the costs and logistics of home delivery and click and collect models can be extremely daunting. Retailers should consider alternative approaches to distribution, such as working with third-party specialists. Similarly, manufacturers should experiment with order placement services, and carefully weigh distribution options to determine if they should own fulfillment or leave it to distribution experts.

## ONLINE PURCHASE INTENTION GROWTH RATES 2011 - 2014

### GLOBAL AVERAGE ONLINE PURCHASE INTENTIONS IN THE NEXT 6 MONTHS

	2011	2014	PERCENTAGE POINT GROWTH
 EVENT TICKETS	22%	41%	19%
 E-BOOKS	15%	34%	19%
 COMPUTER SOFTWARE	9%	27%	18%
 TOURS AND HOTEL RESERVATIONS	27%	44%	17%
 SPORTING GOODS	15%	31%	16%
 TOYS AND DOLLS	13%	29%	16%
 AIRLINE TICKETS AND RESERVATIONS	33%	48%	15%
 VIDEOS, DVDS AND GAMES	15%	28%	13%
 MUSIC (NOT DOWNLOADED)	14%	27%	13%
 COMPUTER HARDWARE	18%	30%	12%
 BABY SUPPLIES	8%	20%	12%
 FLOWERS	7%	18%	11%
 CAR, MOTORCYCLE AND ACCESSORIES*	8%	17%	9%
 ALCOHOLIC DRINKS	8%	17%	9%
 ELECTRONIC EQUIPMENT	27%	34%	7%
 COSMETICS*	25%	31%	6%
 HARDCOPY BOOKS	34%	39%	5%
 GROCERIES	22%	27%	5%
 CLOTHING, ACCESSORIES AND SHOES	42%	46%	4%
	2012	2014	PERCENTAGE POINT GROWTH
 PET-RELATED PRODUCTS	9%	21%	12%
 MOBILE PHONE	26%	33%	7%

## WHEN IT COMES TO E-COMMERCE, PRODUCT SELECTION MATTERS

Virtual baskets don't necessarily mirror physical ones. In fact, the relationship between the two is often an inverse one. In the U.S., for example, the mix of online product sales is roughly 60% non-food to 40% food, the exact reverse of the total in-store CPG picture, which is about 60% food and 40% non-food.

Nielsen's research about digital shopping identified two barriers and two enablers that help determine which categories are best poised for e-commerce success (see next page):

- Stock-up categories like personal care and household products are prime selections for e-commerce inventory
- While immediate use items like fresh and frozen foods, condiments and beverages will be slower in adoption
- However, there is tremendous opportunity among niche consumer segments—especially in the healthy eating space and other categories that may be more difficult to find on in-store shelves

E-commerce is well suited to specialty retailing because it allows companies to offer greater product selection in a category than would typically be available in brick-and-mortar stores. Online retailers can do well by fulfilling unique customer needs, such as the desire for better-for-you foods. Nielsen research shows that today's shoppers are seeking fresh, natural and minimally processed foods with beneficial ingredients that help fight disease and promote good health.

A number of specialty retailers have emerged in the health and wellness space, from national online grocery delivery services with extensive fresh sections to local produce delivery services. Additionally, specialized meal delivery services have emerged to provide consumers the ingredients (premeasured for a family of two or four) to make selected healthy meals in their homes. There is great potential for online retailers that offer consumers a wide variety of good-for-you foods and provide guidance for consumers aspiring to healthier lives.

## STOCK-UP AND PRICE-SENSITIVE CATEGORIES ARE BEST POISED FOR E-COMMERCE SUCCESS

### ENABLERS

#### STOCK-UP

Products with a steady consumption rate and long shelf life are well suited to online purchasing.

##### GLOBAL ONLINE PURCHASE INTENT (NEXT SIX MONTHS):

BODY WASH	33%	
SHAMPOO / CONDITIONER	31%	
TOOTHPASTE	31%	
COSMETICS	27%	
LAUNDRY DETERGENT	27%	
DISH SOAP	25%	
TOILET PAPER	25%	

#### PRICE

Categories with a high price-to-weight ratio, which may have lower shipping costs, and those with high profit margins that allow room for discounting are well suited to e-commerce.

##### GLOBAL ONLINE PURCHASE INTENT (NEXT SIX MONTHS):

BABY WIPES/DIAPERS	12%*	
DOG FOOD (DRY)	12%*	
CAT FOOD (DRY)	8%*	
BABY FOOD/FORMULA	8%*	

\*Sample is not just based on those who have a child or own a pet

Source: Nielsen Global E-commerce and the New Retail, Q3 2014

### BARRIERS

#### URGENCY

For some categories, convenience is paramount. Shoppers want to buy and consume a product immediately, without waiting for deliveries to arrive. In these cases, the nearest store is the best option.

##### GLOBAL ONLINE PURCHASE INTENT (NEXT SIX MONTHS):

PAIN RELIEVERS	13%	
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#### INSPECTION

Spoilage is a concern for some categories, particularly perishable products. In addition, many consumers want to touch, smell, see or try products before purchasing. This desire drives consumers to the store and they tend to buy other items they need when there.

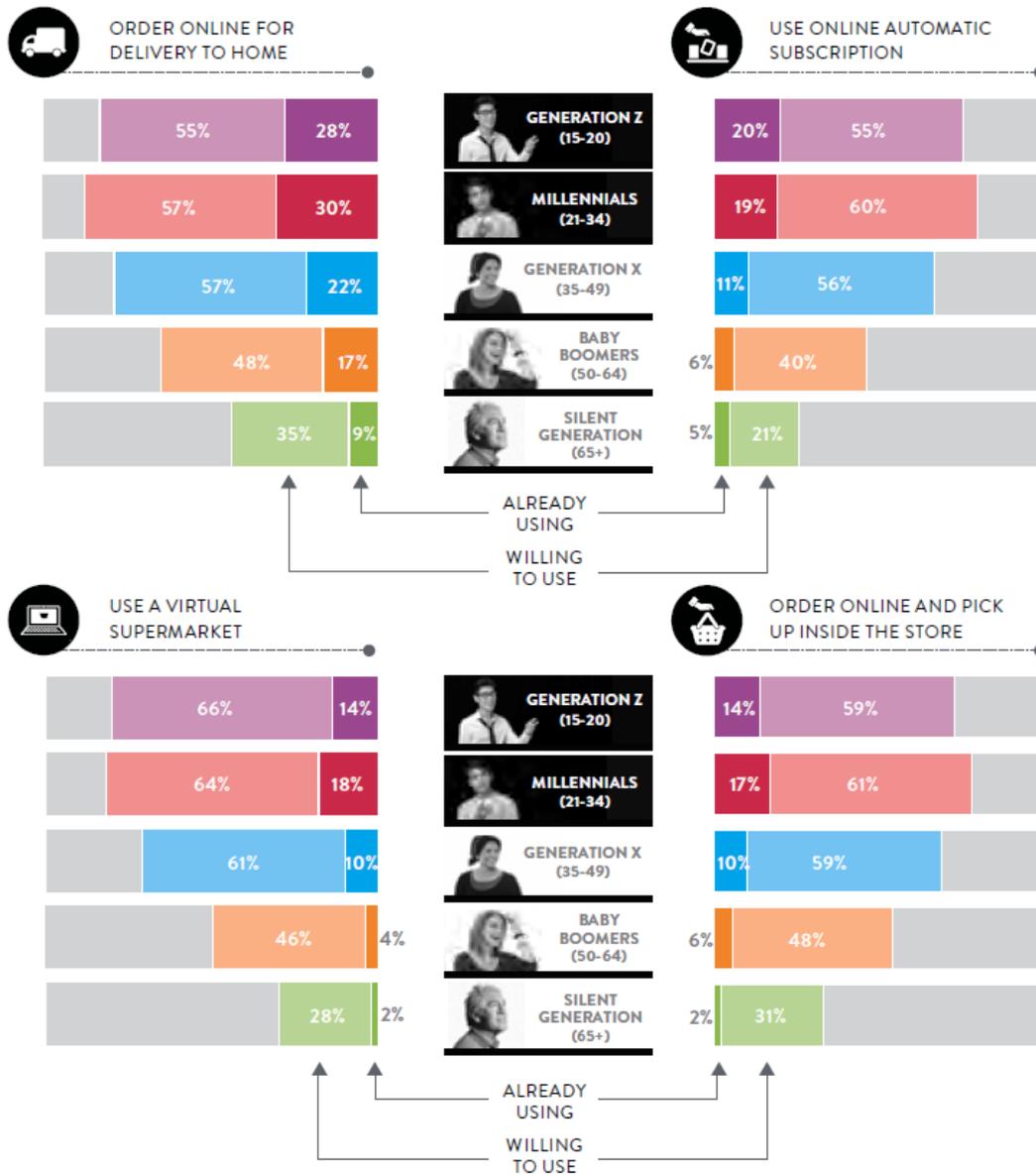
##### GLOBAL ONLINE PURCHASE INTENT (NEXT SIX MONTHS):

FRESH VEGETABLES	16%	
FROZEN DESSERT	11%	
FROZEN SEAFOOD	11%	
FROZEN VEGETABLES	10%	
FROZEN APPETIZERS	5%	

# ON-LINE SOLUTIONS

## MILLENNIALS AND GENERATION Z ARE THE MOST AVID ONLINE GROCERY SHOPPERS

PERCENT USING/WILLING TO USE E-COMMERCE OPTIONS



Source: Nielsen Global E-commerce and the New Retail Survey, Q3 2014

## CONCLUSION

Digital is here to stay, but the majority of consumers will continue to shop for the bulk of their purchases in store—even if the channels they're using are changing. Shoppers will use whatever format best suits their needs for convenience, choice and value. Therefore, it is critical that retailers and manufacturers leverage physical and digital assets to optimize the in-store experience. How can retailers bridge the gap between worlds and succeed in the new retail environment?

Remember what drives shoppers: Regardless of format, price, quality, convenience and selection are key drivers of store choice. Retailers need to show shoppers how they're delivering these values in every interaction, no matter where it occurs.

- **Add value through digital:** A “build it and they will come” approach will not work in the digital world. Tech-savvy consumers can easily determine whether an application or device adds value to their lives. Those that make their lives better will be used, while those that do not will be discarded.
- **When developing digital initiatives,** retailers and manufacturers need to consider whether they're creating value and clearly communicating the benefits to consumers.
- **Consider channels holistically:** Online and in-store are fundamentally different channels, with unique uses, expectations, challenges and economics. When developing a strategy, retailers need to consider the entire retail landscape and respect the differences between channels. Online and offline tactics should complement each other to drive increased engagement and sales across all outlets.
- **Know your shoppers:** Knowing consumers' wants/needs is critical when developing a multi-channel strategy. As consumers demand a more personalized shopping experience, retailers should not strive to be all things to all people. Retailers and manufacturers need a deep understanding of the decisions that shoppers make along the path to purchase, the types of information they seek to inform those decisions, and where they choose to make a purchase. And they should use this knowledge to personalize and align touch-point content to meet shoppers' unique needs.
- **Recognize that change is industry-wide:** The changes taking place in grocery are not just a concern for retailers, but the entire CPG industry. Manufacturers need to adapt their marketing, merchandising, distribution, and operations models for the new retail landscape.
- **Measure and adjust:** Retailers and manufacturers should continuously monitor performance to understand how shoppers are responding to marketing touch points and ensure they're optimizing their touch-point mix to yield the highest ROI.

## SOURCES:

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- Nielsen The Future of Grocery Report 2015  
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