

NielsenIQ

E-commerce success in 2023 and beyond: Leveraging growth and maximizing returns



Executive summary

E-commerce isn't new. It is, and has been, a valued channel for consumers, retailers, and brands alike. Although many simply consider it a disruptive channel, e-commerce has grown into a foundational step within the buyer's journey. It's no longer sufficient for companies to have an isolated approach to online selling; rather brands and retailers must adopt a fully integrated omnichannel strategy built on granular data, in-depth analysis, and a fundamental understanding of the consumer's path to purchase.

This presents a major challenge for FMCG brands. Retaining relevancy, driving growth, and meeting consumers' growing demand depends on how well brands can understand and leverage this new style of shopping.

This report addresses these challenges and equips FMCG industry players with market insights, consumer behavior trends, omnichannel predictions, and recommendations for growth.



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Introduction: The e-commerce era

Despite a rebound in on-premise shopping, e-commerce continues to thrive.

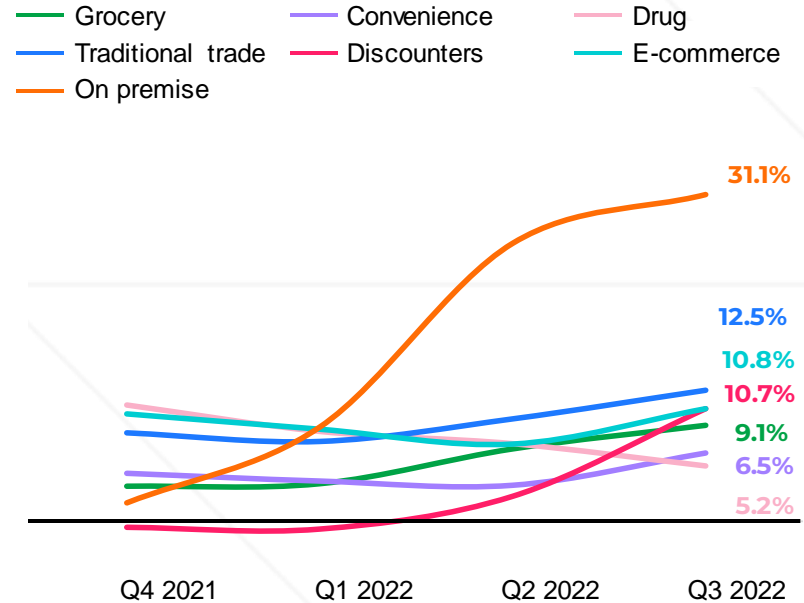
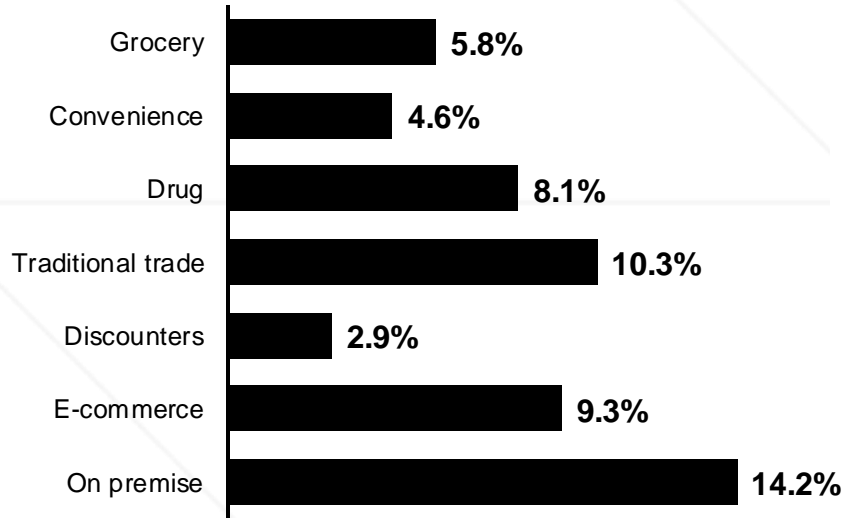
Successive years of COVID-19 restrictions challenged the world to adjust how we all live and shop, exacerbating the needs of geographically and financially constrained consumers. E-commerce subsequently became an integral shopping channel, offering the convenience, accessibility, and competitive pricing global consumers required.

As restrictions lifted in 2022, shoppers returned to stores, restaurants, and bars while continuing to shop online in record numbers—indicating that e-commerce shopping was not a temporary solution to pandemic woes; rather a transformation within consumer buying behavior that permanently altered the retail landscape. This also indicates that online strategies are no longer a ‘nice to have’ but are a non-negotiable for manufacturer and retailer growth.



On premise keeps recovering as consumers retake out of home consumption

FMCG channel performance %growth vs YA



Source: NielsenIQ RMS FMCG MAT and quarterly Q3 2022, Hypermarkets 29 markets, Supermarkets 34 markets, Small Superettes 28 markets, Convenience 34 markets, Drug 40 markets, Traditional trade 41 markets, Discounters 16 markets, E-commerce 12 markets, On premise 13 markets.

*Fact: Value % growth vs YA (unweighted)

Note: Italy and Poland excluded from Global and Regional benchmarks

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E-commerce growth drivers

It's clear that the COVID-19 pandemic, and subsequent lockdowns, gave e-commerce a critical growth spurt. But how has e-commerce continued to boom despite a reduction in COVID-19 restrictions and a return to in-store shopping?

- **Convenience is king:** E-commerce offers consumers the ability to buy what they want, when they want it—and often at a far more competitive price. It also allows shoppers to use their preferred payment method, and offers convenient and innovative delivery options, like same day delivery.
- **The power of price and promotion:** Financial uncertainty and rampant inflation are pushing consumers to spend less and save more. Consumers know they can find everyday low prices online and will often compare prices across different e-commerce channels and stores to find the best value.

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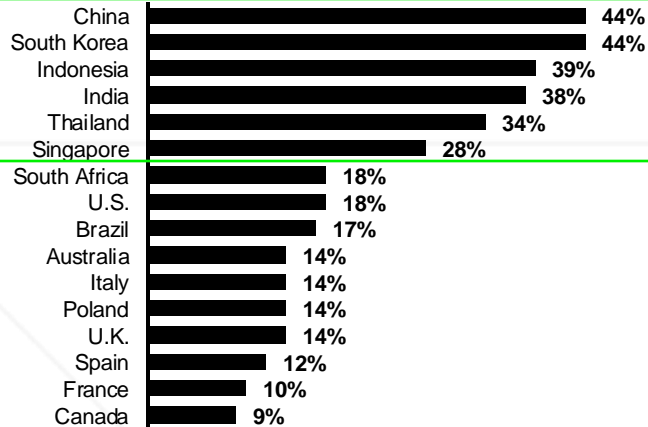
Increasing price pressure has seen consumers on the hunt for more price and promotions and e-commerce is the retail channel that they perceive as offering the best value for money today.



***Vaughan Ryan MD,
E-commerce, APAC NielsenIQ***

Global consumers are on the hunt for the best promotion online

When it comes to managing household expenses, consumers across Asia stand out as bargain hunters – looking out for the best promotion when shopping online for groceries.



Consumer are feeling the pinch of higher prices

Financial polarization and the continued escalation in prices of goods will further push consumers to seek ways to cut down their expenses. Today's consumers know that online channel is where they can find everyday low prices.



A global view of online consumers

Although economic conditions and outlooks vary from region to region, e-commerce trends and online growth strategies are universal.

Countries where consumers feel that their lives or personal financial situation will improve in the next 6 months:



Chile



Saudi Arabia



South Africa



China



Brazil



India

Countries where consumers feel that their lives or personal financial situation will *not* improve in the next 6 months:



UK



Poland



Germany



France



South Korea



United States

Regardless of economic outlook, consumers from all 12 countries are aiming to keep a watchful eye on spending.

Key consumer considerations when shopping for groceries:



Deals and promotions



Value for money



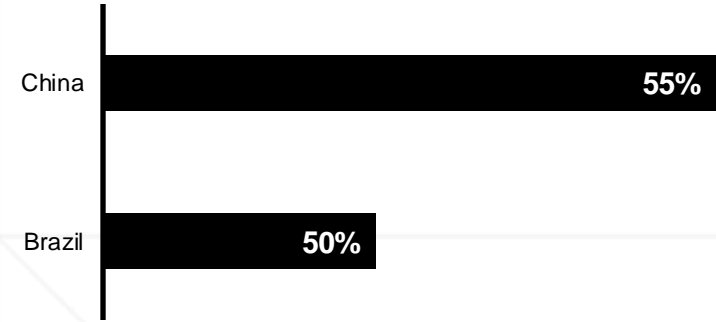
Low prices

Online grocery shopping: **96%** of Chinese grocery shoppers buy groceries online. They are followed by



More consumers are buying their groceries online compared to six months ago, and they intend to buy more.

The propensity to buy more groceries online is dominant among consumers in India, with **75%** of those who ever buy online say they are now doing more of their grocery shopping online. Surveyed consumers in China and Brazil state the same claim.



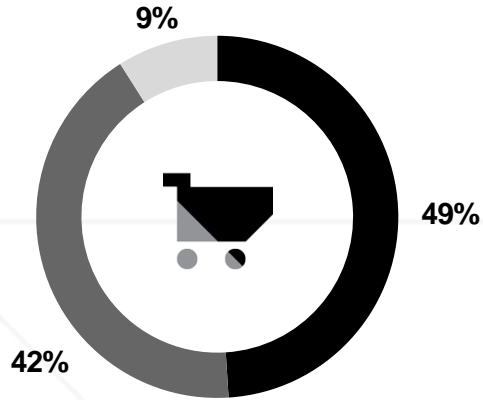
Before deciding where to shop, consumers often go online to:

- Compare prices
- Research products or brands
- Check a supermarket's website or inventory

Social influencers also impact the grocery shopping choices of Chinese and Indian consumers.

Omnichannel shopping: The best of both worlds

People care about price, availability, quality, sustainability, wellness, convenience, and a seamless shopping experience—not channels. The modern consumer intertwines e-commerce and in-store experiences to get what they want, when they want it. **The modern consumer shops the omnichannel.**



- Of global consumers say they are omnishoppers—regularly shopping across both offline and online channels
- Say they shop exclusively offline, at outlets like supermarkets or local traditional independent stores,
- Are online loyalists and say they no longer regularly visit physical grocery stores.

28% Marketers who use at least three channels in their campaigns had a 28% higher purchase rate than single channel marketers.

Source: omnisend.com



Homebound lifestyles, offline and online, convenience, personalisation, access to multiple channels these are all the hallmarks of a new era in the digital retail evolution and it's no longer as simple as offline or online - we are now living in an omni world



Didem Sekerel Erdogan
MD Turkey and Analytics Leader
AME NielsenIQ

The scope for growth

Is there a ceiling on e-commerce's stellar growth, and what's the *real* growth potential?

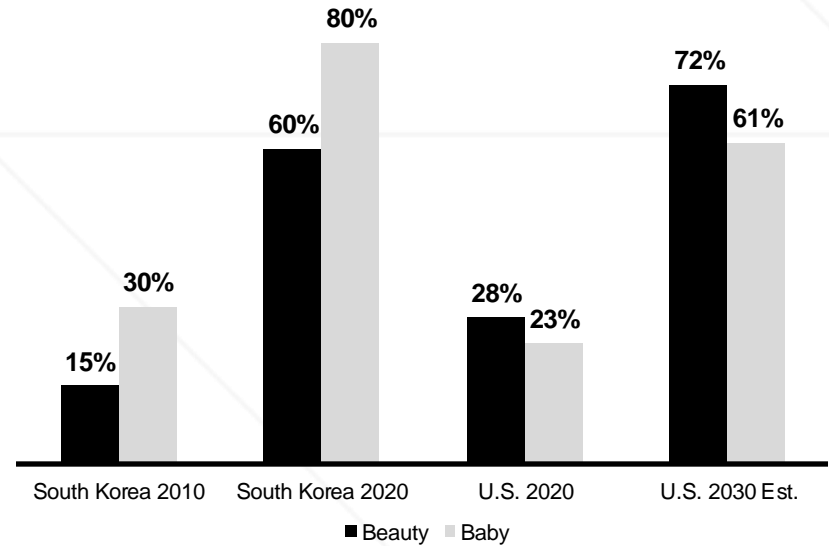
An excellent barometer for assessing its future performance is South Korea and China, which are generally accepted as being 10 years ahead of other markets. **E-commerce now accounts for one third of all their FMCG sales.**

India has also seen significant e-commerce growth in their metropolitan areas, and it accounts for 7.5% of all their FMCG sales.

37% Non-food FMCG categories have grown a staggering, mirroring similar trends in Korea and other Asian markets.

What is the ceiling on e-commerce?

Share of online sales, South Korea vs U.S. in %

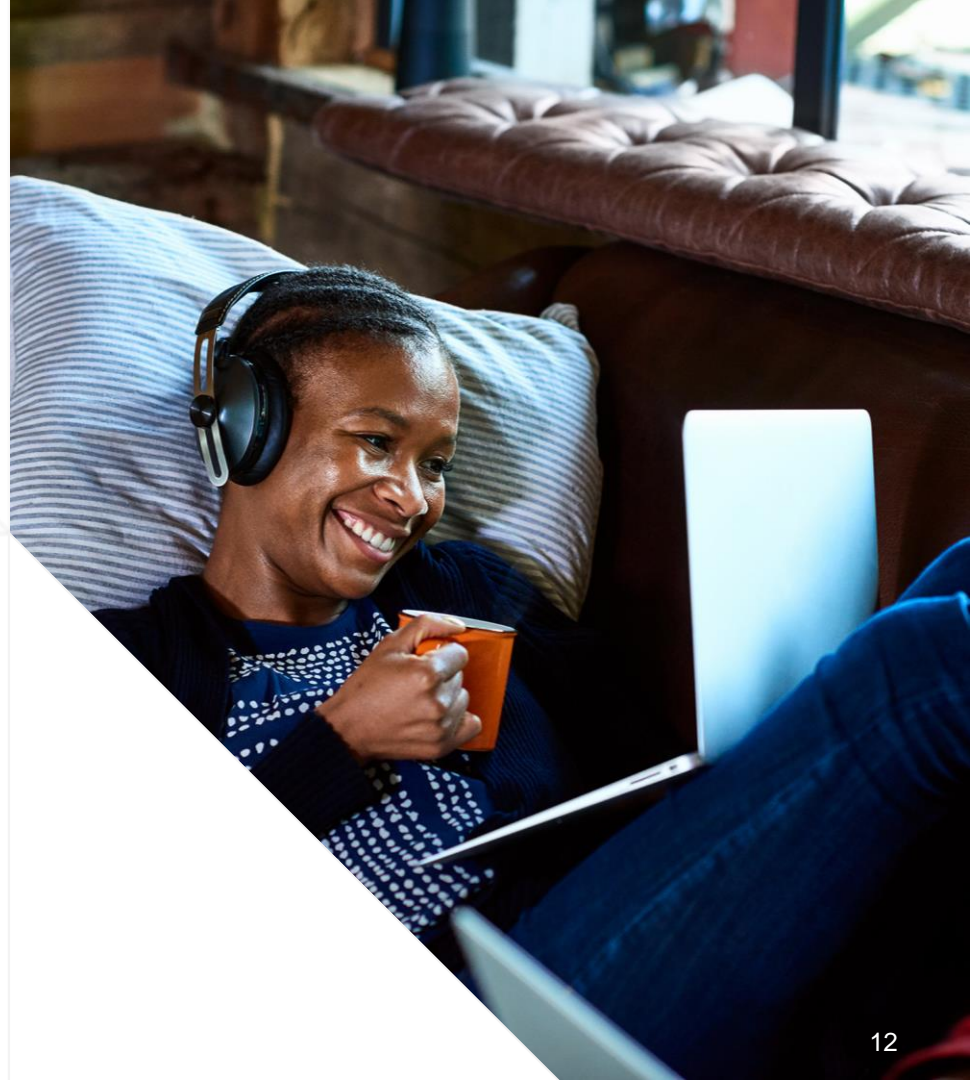


Source: NIQ e-commerce sales & forecast, 2022

Innovation and performance highlights

Sometimes you need to look back to move forward. We analyzed the greatest e-commerce innovations of 2022 that can inform and enhance your online performance in 2023.

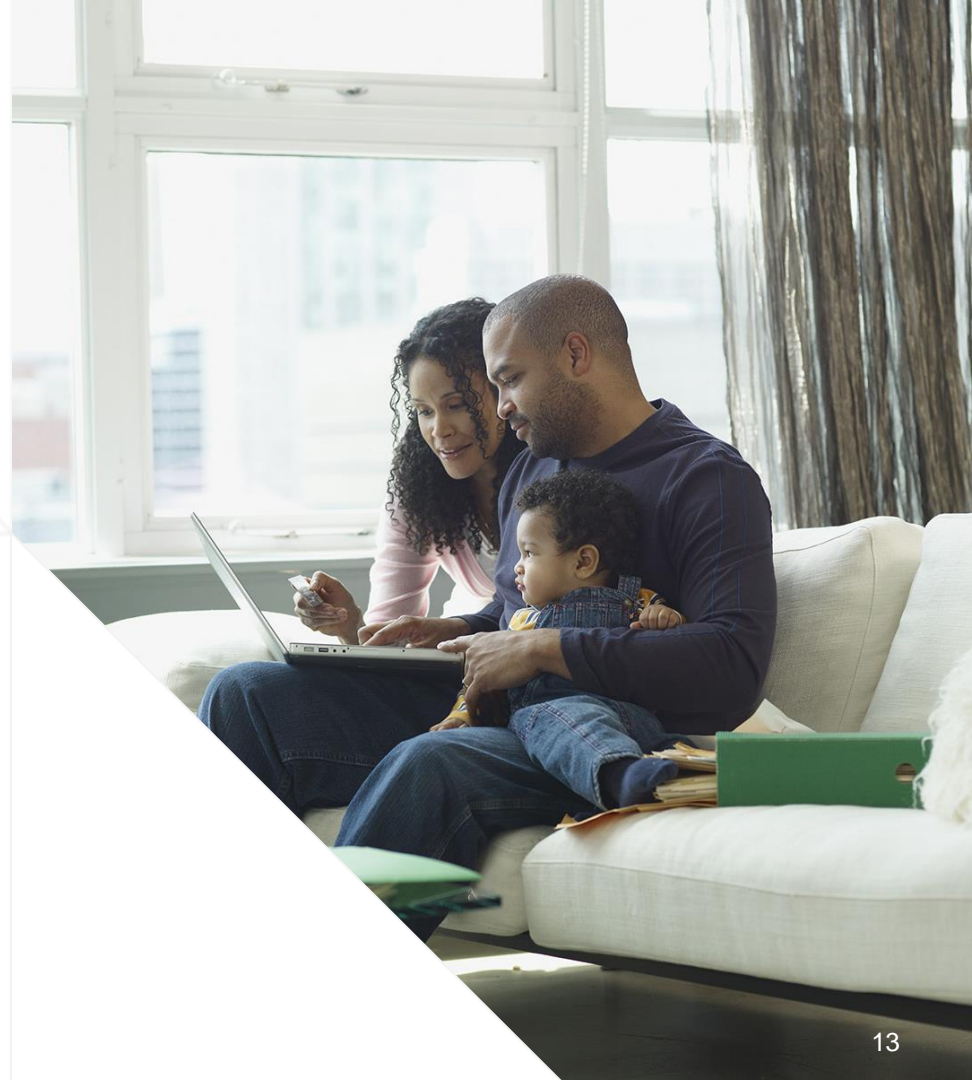
- Digital touchpoints: The power of human connection
- E-commerce shopping events: The day of the deal
- Holiday shopping: Festival Frenzy
- Quick commerce: The need for speed
- Data drives innovation: Metrics to the max
- The e-commerce user: Young and old lead the way



Spotlight 1 – Digital touchpoints: The power of human connection

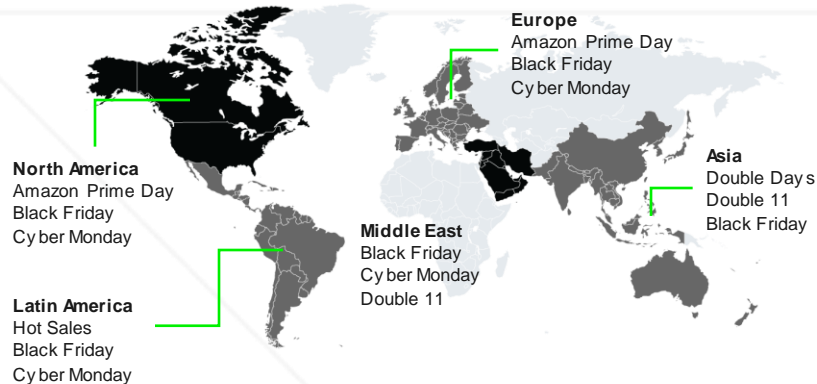
Social commerce, mobile commerce (m-commerce) and super apps are already key drivers of e-commerce traffic in China and South Korea.

- **Social commerce:** Social media offers innovative ways to inspire shoppers. Image-centric social media apps, like Snapchat and Instagram, are known to host virtual shopping experiences. Whereas platforms like TikTok have captured younger consumers who use the platform to discover and purchase products more often than they use Google. Brands who can connect with their audience through social media will grow in 2023.
- **Mobile commerce (m-commerce):** Mobile users are indisputably boosting e-commerce traffic and shaping the path of the e-commerce evolution. In South Korea, for example, 82% of **online shoppers** used their mobile devices for online grocery shopping.
- **Super apps:** Super app use has soared in Southeast Asia and offers consumers a one-stop-shop for managing all aspects of their virtual lives. These apps bundle multiple services with shopping channels, including social networking, food delivery, restaurant booking, transportation, payments, and gaming. Today, e-commerce super apps can hold around 1-1.5 million items versus in-store retailers that hold 75-90K items.
- **Livestreaming e-commerce:** China has experienced explosive e-commerce growth through livestreaming, where ePlayers influence consumers with crowd-sourced group deals, direct-to-consumer offerings, and social media bartering. 265 million users have tuned into these events, accounting for almost 50% of all livestreaming users.



Spotlight 2 – E-commerce shopping: The day of the deal

Major e-commerce sales events—including Amazon Prime Day, Black Friday, Cyber Monday, and Double Day—have garnered international attention for offering the best prices of the year. By participating in these events, and by leveraging online marketplaces and international sellers, brands can easily expand their global footprint without having to invest in physical stores.



Top 3 categories consumers around the world buy online during these popular global online shopping festivals



Household appliances
Telephony/cell phones
Home & décor

Brazil



Computer & electronics
Home & kitchen
Clothing

France



Personal care
Baby products
Household products

Turkey



Personal care
Baby products
Health supplements

Singapore



Baby products
Household products
Personal care

Thailand

Spotlight 3 – Holiday shopping: Festival frenzy

Like e-commerce sales events, festival events are a great opportunity for brands to drive revenue and expand their consumer base—especially in China and South Korea which account for 50% of all global e-commerce sales. More than 40% of Chinese e-commerce sales emanate from 3 key festivals: Chinese New Year, 618, and Double11. These events are known to drive a 250% spike in sales.

50-60%

In India, consumers tend to defer their purchases until Diwali sales weeks, driving 50-60% growth in orders compared to the rest of the month.



Spotlight 4 – Quick commerce: The need for speed

You've probably heard of same-day delivery and express checkout. These quick commerce/rapid delivery solutions are skyrocketing across the globe, and companies are doubling down with sizeable investments in the space.

Our e-commerce consumer panel analyzed quick commerce's share of total online orders in 2022.

In Paris, rapid delivery accounted for one-third of all online orders, and in Berlin it accounted for almost half. These quick commerce orders were often linked to specific events, like breakfast, dinner, or at-home celebrations.

Although quick commerce is a popular solution in capital cities, it's less accessible nationwide. Online retailers should invest in expanding rapid delivery solutions to meet the needs of those in remote areas.



New rapid delivery models like grocery deliveries in under 10 minutes in India are creating waves. In Asia, faster delivery denotes freshness and therefore has doubled the contribution of quick commerce in China



Prafull Babar
India E-commerce Director
NielsenIQ

Spotlight 4 – Quick commerce: The need for speed

Emerging channels, such as quick commerce (O2O) and social commerce surge to meet different consumption scenario



2021 e-commerce Channel GMV Share & Growth

Social/content e-commerce
6%
+322%

Appealing contents

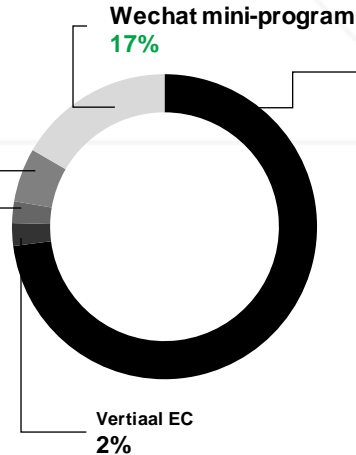
Livestream commerce with persuasive host

O2O new retail
2%
+88%

Delivery speed

Fresh and quality product

Detailed product information




Mainstream EC
73%

+13%

Product variety

Price comparison

Convenience

 'Quick commerce' and 'Brick & Click' retailers promising deliveries as early as 10 minutes



Spotlight 5 – Data drives innovation: Metrics to the max



If the right assortment and supply is the heart of e-commerce then analytics is the mind of it...E-commerce is the growth engine for capability improvement



Cansu Sever
E-commerce Director Coca Cola
Icecek (CCI)

E-commerce is more than a convenient shopping channel; it's a powerful source of consumer intelligence, backed by limitless real-time data. When analyzed properly, this data can uncover quicker and more precise insights, driving innovation and growth.

- Tracking and analyzing the 'digital shelf' is vital to retailers and brands who sell an assortment of products not found in the offline world.
- Analyzing and comparing sales volume across various promotions allows brands and retailers to more accurately forecast sales, while also pinpointing the most successful discounts and promos for their consumers.
- Tracking campaign performance, digital consumer habits, and sales can tell brands and retailers which ads and channels produce a greater ROI

The e-commerce user: Young and old lead the way

It's a common misconception that young consumers are the primary drivers of e-commerce. In Western Europe, shoppers from all generations follow similar growth trends. However, shoppers from Generation Z (up to 27 years) and Generation B (63+) are using e-commerce at greater rates, and are spending more online, than shoppers from Generation Y (28-42 years) or Generation X (43-62 years).

The oldest and youngest generation have shown the strongest increase in their online spending compared to January 2020

E-commerce value sales evolution by generation
January 2020 = index 100



Generation Z: ≤ 27 years
Generation Y: 28 - 42 years

Generation X: 43 – 62 years
Generation B: ≥ 63 years

Altered shopping patterns: No more blue Mondays

Before e-commerce, in-store sales would spike on weekends and fall during the work week. Now that consumers have 24/7 access to online stores, Monday is the most critical online shopping day for most categories across the world. For example, 42% of all categories purchased online in Germany, and 40% in France, occurred on a Monday.

Due to the 24/7 model, the key shopping moments have changed

Important to understand when consumer activation is most impactful

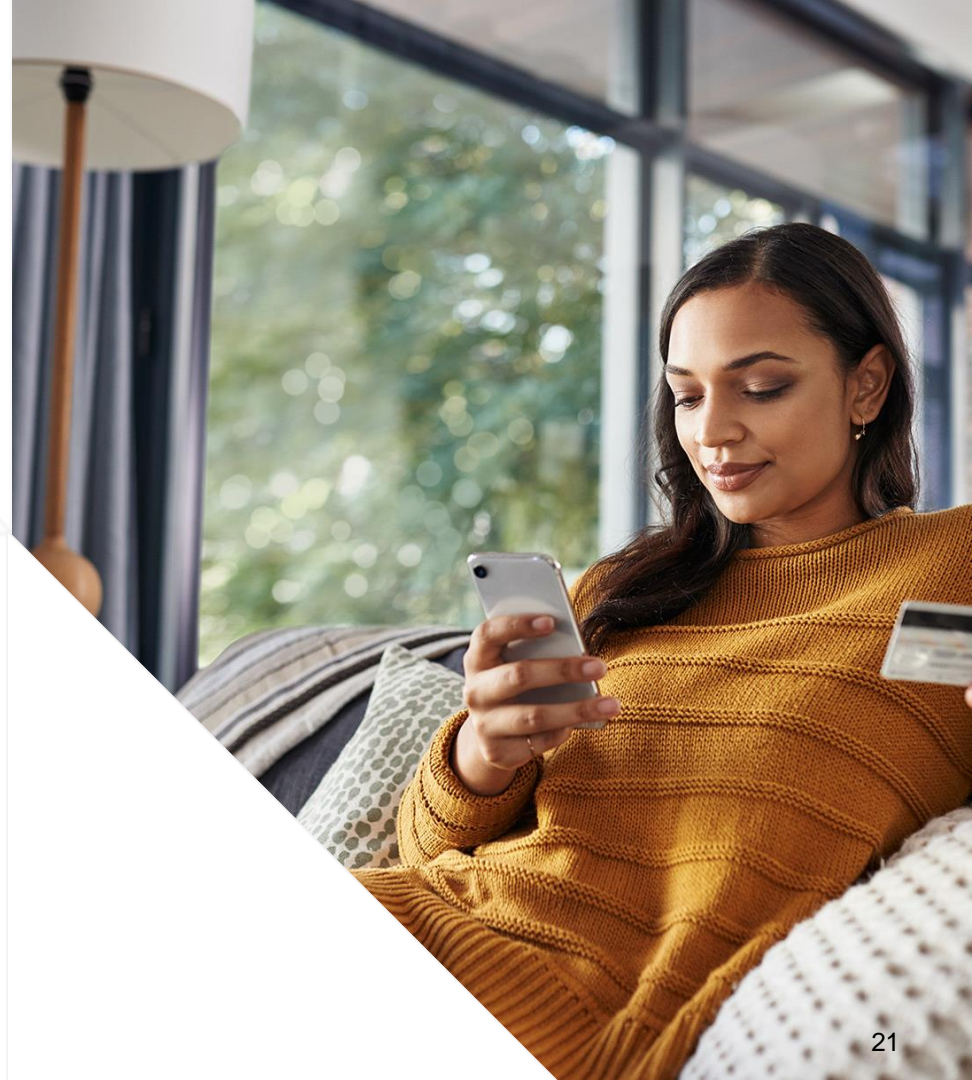
	#1	% of categories	#2	% of categories
France	Monday	40%	Friday	16%
Germany	Monday	42%	Tuesday	27%
Italy	Monday	31%	Tuesday	29%
Spain	Monday	32%	Tuesday	23%
UK	Monday	32%	Friday	21%

E-commerce in 2023: Recommendations for success

The e-commerce era has only just begun, and its power will continue to grow throughout 2023.

To achieve success in this omnichannel environment, brands and retailers must shift their view of e-commerce from a transactional channel to a growth engine for their business. Here are your next steps for achieving rapid success in 2023...

- **Understand the power of e-commerce:** It's more than online shopping. E-commerce has transformed the way consumers buy and the way brands and retailers leverage data. It's vital that companies adopt an omnichannel approach to **all** their business endeavours if they want to remain relevant in the digital age. It's not enough to simply sell online.
- **Maximize your strategy with real-time data** – E-commerce is a powerful source of consumer intelligence, backed by limitless real-time data. Brands and retailers must know how to gather, extract, and analyze this data to uncover insights that drive better business decisions. Companies can optimize their assortment, availability, out-of-stock resolution, online traffic, conversions, ROI, and so much more with the power of omnichannel insights.



- **Go back to the basics:** Focus on consumers' fundamental needs. It's important to understand that consumers are not looking for cheaper products that will lower their standard of living; they're seeking smarter ways to spend and save their money. For example, consumers in India are spending more by purchasing deeply discounted items in larger volumes.
- **Identify your most valuable consumers:** Generation Z and Generation B shoppers spend more online than any other age group. Generation Z consumers are passionate about their spending and look for unique products. They don't follow trends; the trends follow them. Generation B consumers are well-educated, online savvy, and prefer to spend more on high-quality products.
- **Know your premium products:** Some consumers are always willing to spend more on premium products. In China, health-focused consumers actively search for low-sugar and low-fat products, which in turn can be priced much higher. Similarly, Chinese consumers will pay a premium at fashion and beauty retailers like Ajo and Meesho.



- **Gather a skilled team:** E-commerce data is limitless and drawing insights from deep analysis often requires a highly skilled and well-educated team. In addition to digital and analytics experts, senior leaders must also be equipped with foundational knowledge so they can build effective strategies and understand top line metrics.
- **Embrace the omnichannel:** Omnichannel shopping will accelerate in 2023, as shoppers continue to use a blend of online and in-store shopping. Brands must ensure that shoppers have a seamless experience that fully supports their journey to purchase, no matter the platform or channel.
- **Invest in technology:** Innovation drives e-commerce and brands are challenged to keep up. Keep an eye on current trends and consider investing in quick commerce, rapid delivery, super apps, and livestreaming shopping events. Those who do will reap the rewards of enhanced shopper engagement and will ultimately out-perform competitors on the digital and physical shelf.

How NIQ can help

NielsenIQ delivers the Full View, including the world's most complete and clear understanding of e-commerce buying behavior that reveals new pathways to growth.

The Full View is powered by more:

- *More complete:* Informed data from more channels, more sources, more consumers, and more countries and regions
- *More clear:* Shaped into more understandable and actionable insights, delivered through an advanced platform with integrated analytics

We know not every question has an easy answer. Tell us your unique needs, and we'll find a solution that works for you.

Contact our experts for a consultation.

About NielsenIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NielsenIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to these ideals and passionate about helping clients achieve success. For more information, visit: niq.com