

Mastering E-Commerce Growth

How to Win Online Amid Uncertainty

May 2023

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Keynote and Spotlight Presentations



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Back from the Boom: E-Commerce Opportunities Amid Uncertainty

Michelle Evans, Global Lead of Retail and Digital Consumer



Is e-commerce growth nearing a ceiling?



29%

Global retail e-commerce growth
in 2020

6%

Projected global retail
e-commerce growth in 2023

Sources: *Passport: Retail, 2023 edition*

E-commerce growth rates normalise

The industry is unlikely to ever see the 30% growth it did in 2020.

Weak economy dampens trajectory

The online channel is no longer immune to economic forces as it once was.

Selling online has never been harder

There are more channels, new competitors and greater consumer expectations.



47%

Growth of the retail industry that will be driven by online sales through 2027

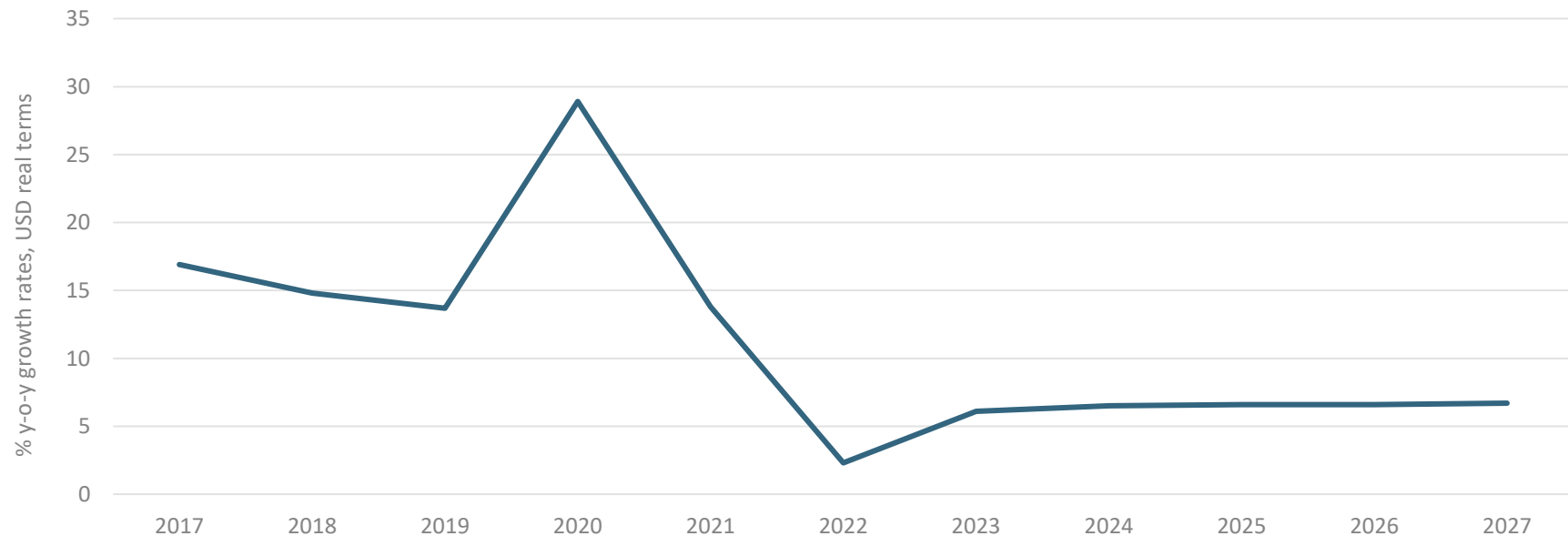
90%

Retail professionals view increasing revenue in the online channel as a strategic priority in the next five years

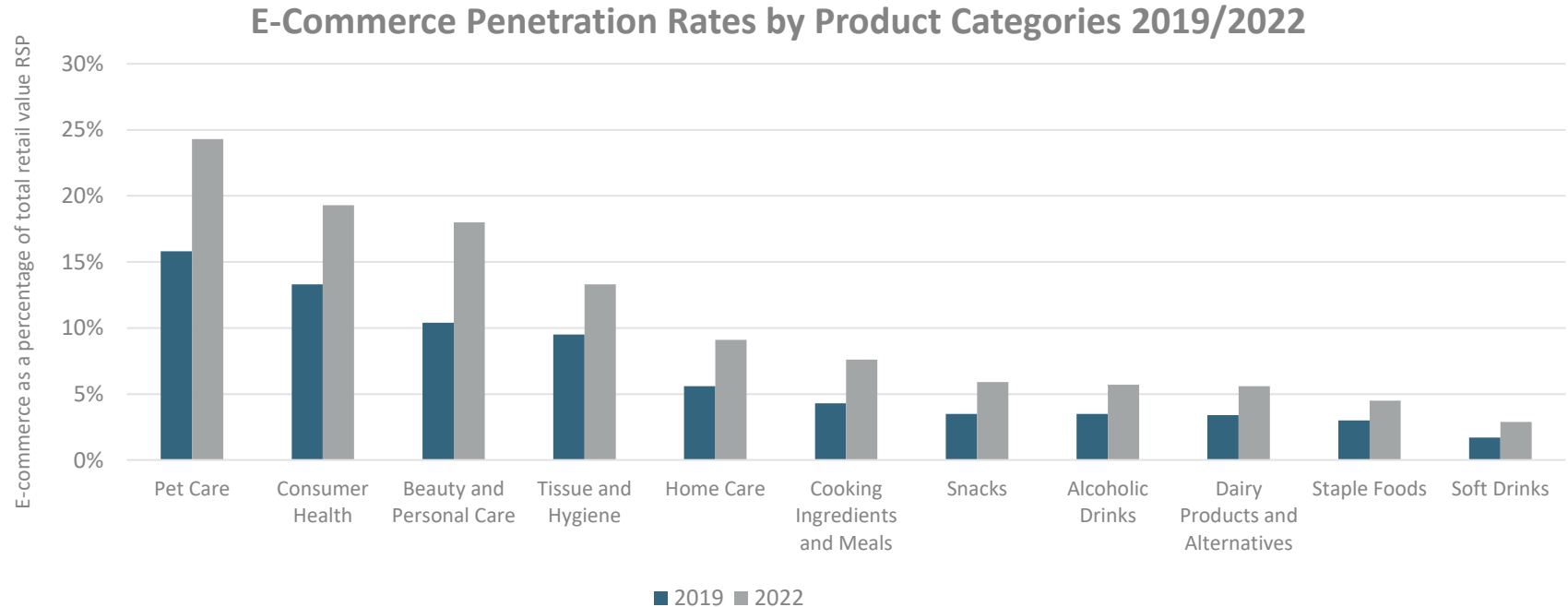
Sources: *Passport: Retail, 2023 edition (top); Voice of the Industry: Retail Survey, fielded in June 2022*

Global e-commerce growth is normalising

Global Retail E-Commerce Growth 2017-2027



COVID-19 levelled up e-commerce



Source: Passport: Drinks; Passport: Food and Nutrition; Passport: Health and Beauty; Passport: Home Products

A woman with long dark hair is standing in a supermarket aisle, looking down at her smartphone. She is holding a clear plastic bottle of water in her other hand. The background shows shelves stocked with various products, creating a sense of depth. The overall image has a muted, greyish tone.

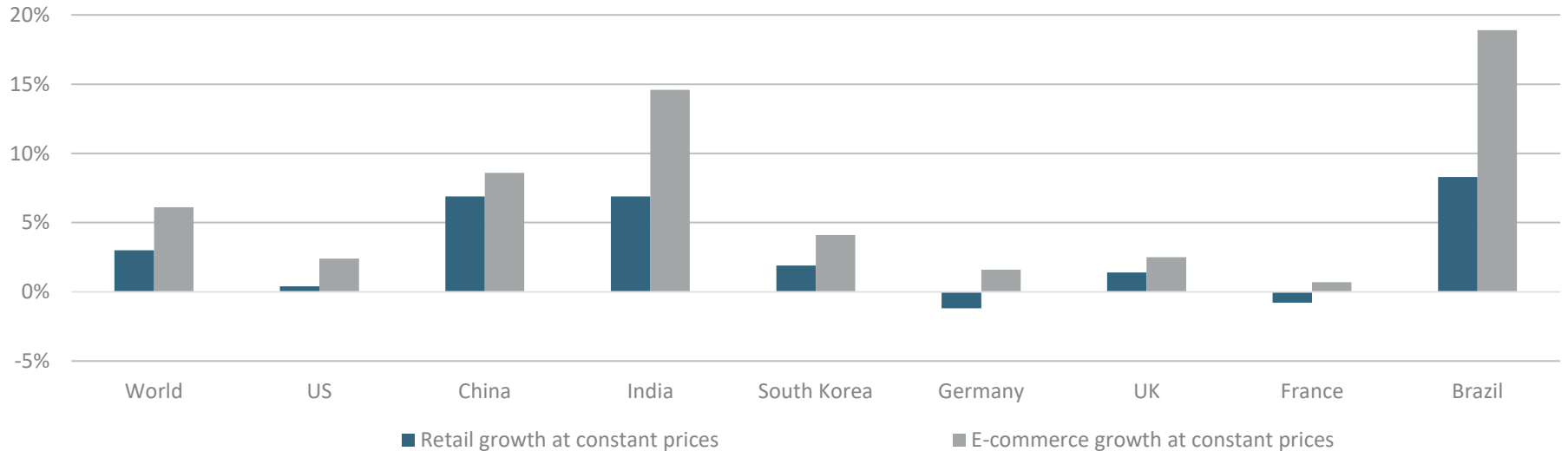
E-commerce growth is no longer guaranteed

Retailers and brands need to get savvier as they search for new online opportunities.

Weak economy further dampens online trajectory

Projected Retail Sales Growth, yoy Constant Prices 2023

% Change in USD (Retail rsp excl. VAT, fixed exg-YrCurr)

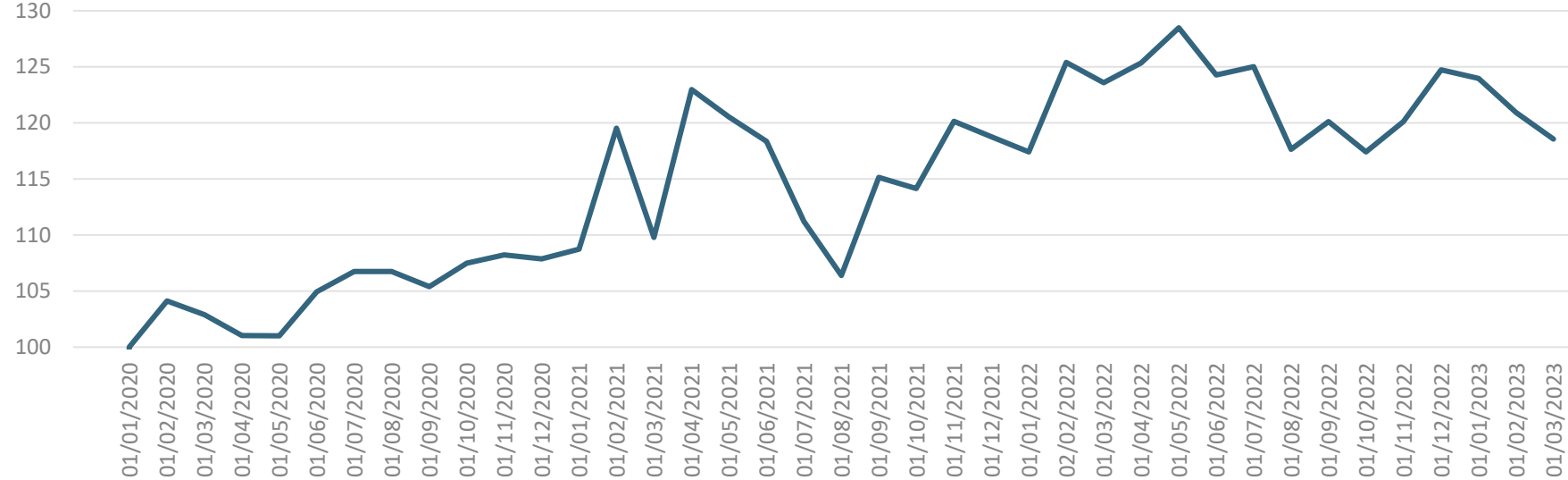


Source: Euromonitor International Passport: Retail, 2023 edition

Note: Sales growth measured in constant prices reflect growth after stripping out the effects of inflation.

E-commerce is not immune to inflation

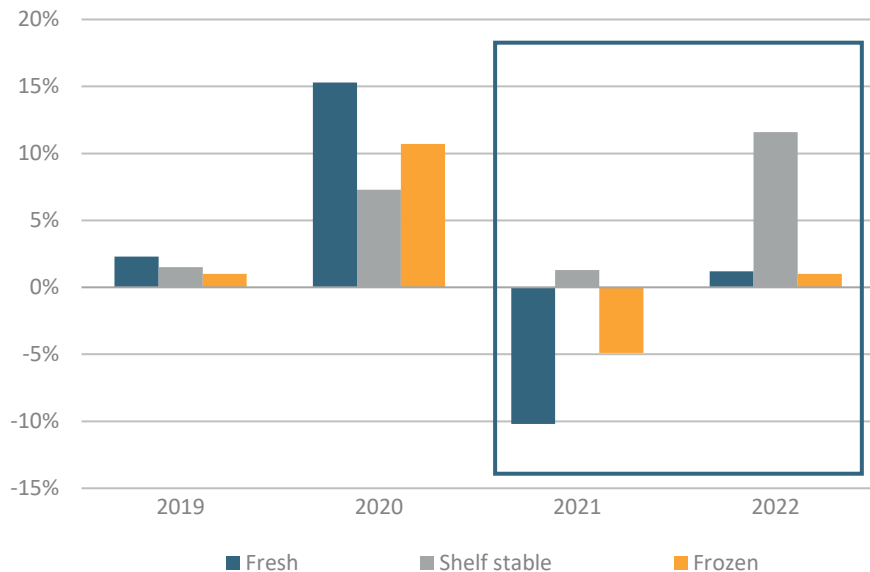
US Essential Goods E-Commerce, Median Price Index, January 2020-March 2023



Source: Euromonitor International Via Inflation Surge: Price and Availability Tracker.
Note: Price Index sets January 1, 2020 = 100

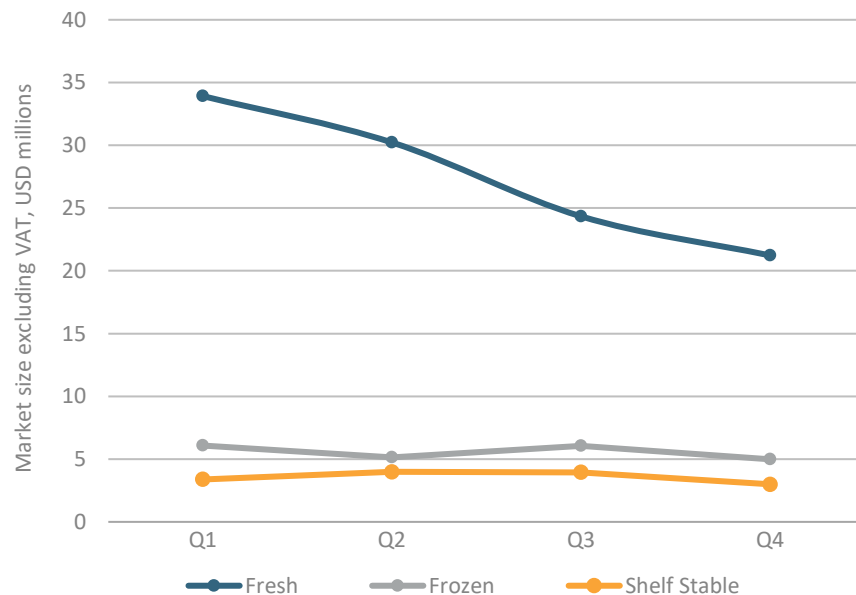
Consumers shop differently online than in store during inflationary times

Fruit and Vegetables Y-O-Y Growth in Spain, 2019-2022



Source: Euromonitor International Passport: Food and Nutrition

Fruits and Vegetables Sold Online in Spain, 2022



Source: Euromonitor Passport: E-Commerce, April 2023 update



Aldi announced in late 2022 it was working on an online grocery platform to offer pickup and delivery service in an hour across its US footprint.

The discounter reportedly could bring the concept to its home market of Germany in 2023.



Downturn is set against decade-long advancement of digital connectivity

The population has greater access to readily available online platforms.

Sites to help locate deals

Companies are adding new features to make it easier for consumers to locate deals.

Examples: Google, Frugl and Instacart.

Second-hand shopping

Retailers are investing in second-hand websites to tap into the pre-owned trend.

Examples: J.Crew, H&M American Eagle, Patagonia, Hanna Andersson and Canada Goose.

Community group buying models

Consumers are looking to connect directly with producers to save money.

Examples: Alibaba, Didi, JD.com, Pinduoduo, SariSuki and Buo.

Digitalisation continues to rewire the retail sector

As a result of these shifts, selling online has never been harder.



Evolving consumer expectations

58%

Digital consumers who would be lost without the internet in 2023, up five percentage points from 2016

47%

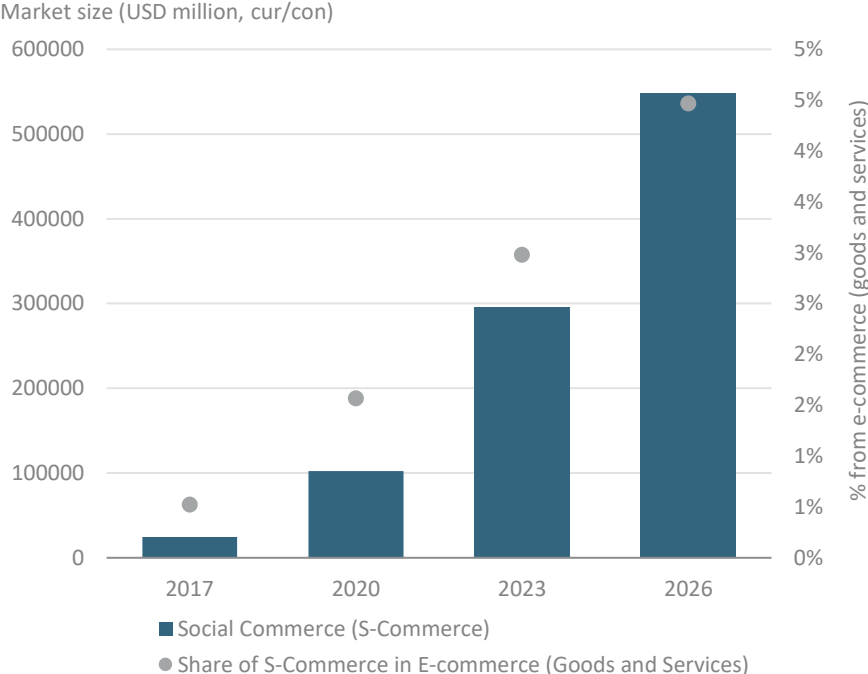
Digital consumers who prefer to spend money on experiences in 2023, up 12 percentage points from 2016

33%

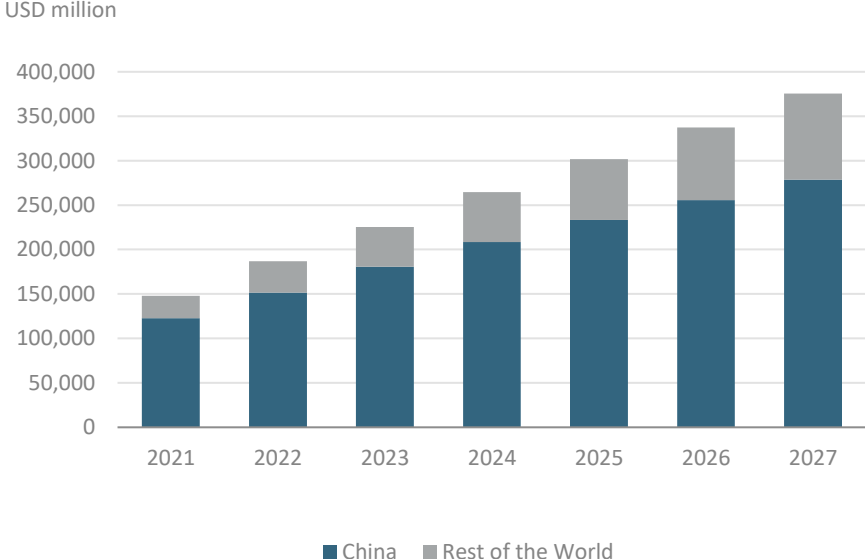
Digital consumers who prefer to visit shopping malls in 2023, down 11 percentage points from 2016

Emerging channels leads to new ways to engage

Social Commerce Value, 2017/2020/2023/2026



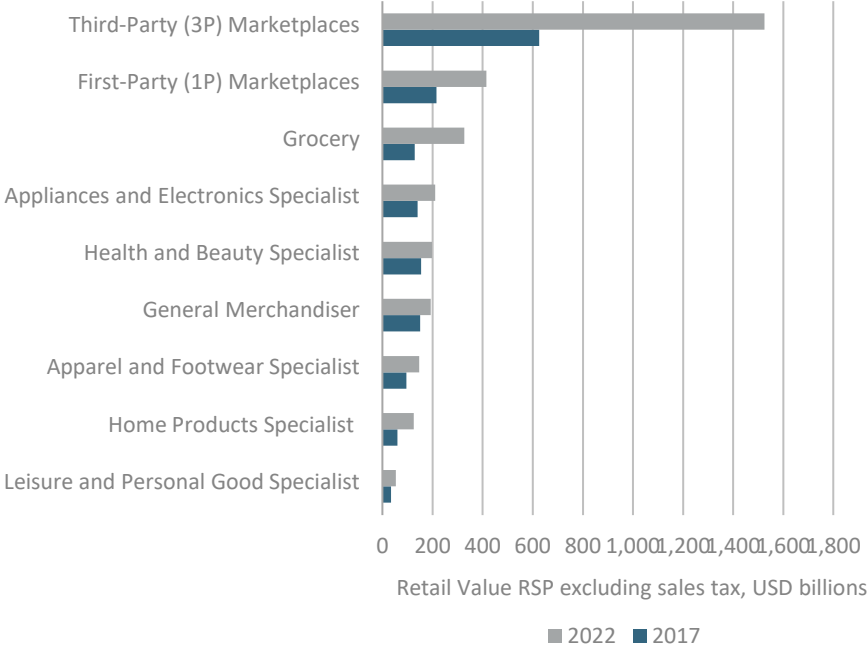
Global Livestreaming and Share of China, 2021-2027



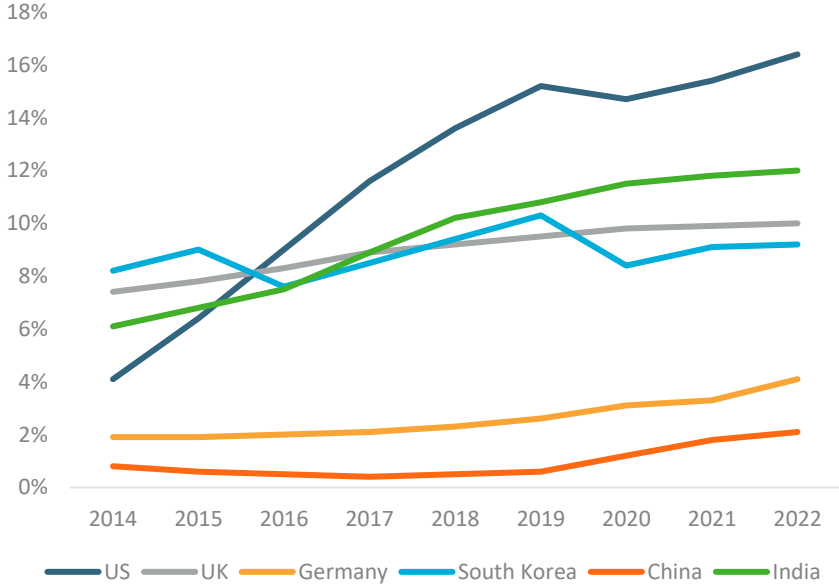
Source: Euromonitor International Passport Digital Consumer, 2023 edition

New business models change the rules of the game

E-Commerce Retailers by Type, Retail Value, 2017/2022



Direct to Consumer (DTC) Retail Value RSP, 2014-2022



Source: Euromonitor Passport: Digital Consumer, 2023 edition



Retailers and brands are challenged with how to differentiate in an era of same

Making a lasting impression with a customer hinges more on customer experience rather than product offering.

Retailers and brands look for ways to stand out



E-Customisation

Brands are putting the “custom” into “customer” by leveraging new technologies to enhance personalisation efforts



Game Changers

E-commerce players are mimicking techniques from the gaming world to encourage a desired behaviour.



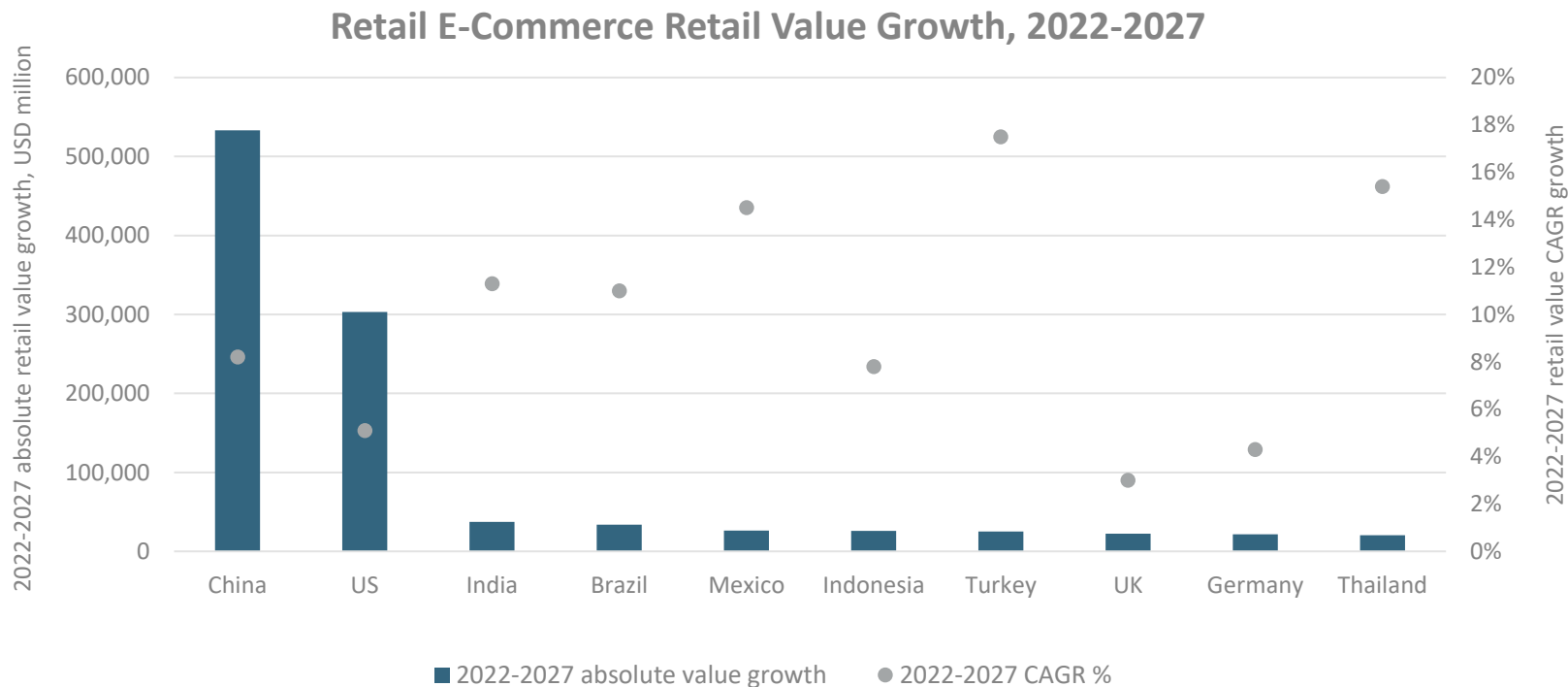
Sensory Shopping

Brands are utilising technology to create multi-sensory experiences online to better simulate in-person shopping.

How to uncover e-commerce opportunities amid uncertainty

Although e-commerce growth rates are normalizing that does not mean there are not pockets of growth.

Most roads lead through China and the US



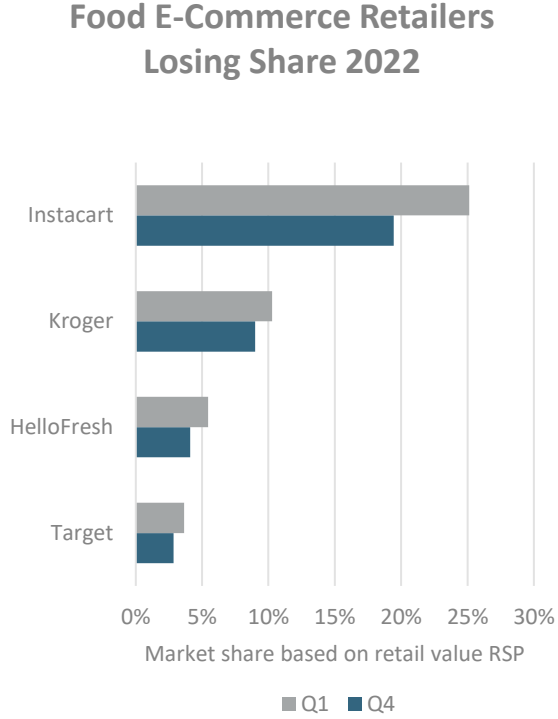
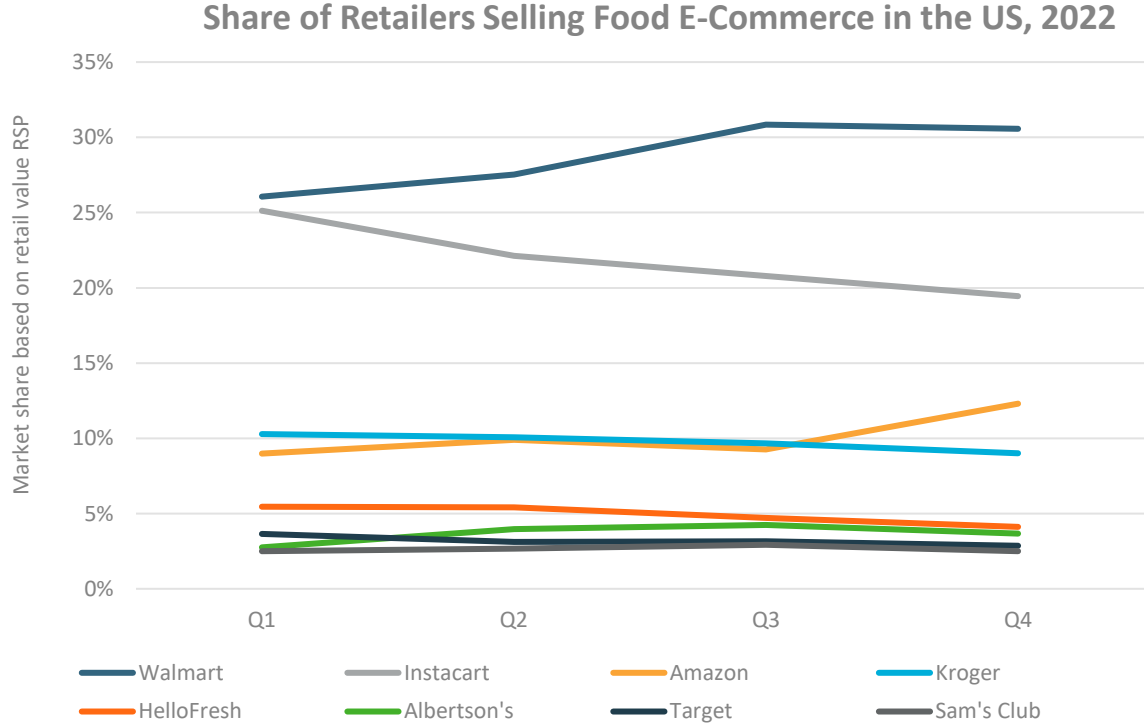


JD.com is one of the most successful marketplaces with its sales in China increasing by over 2,300% in absolute value terms in the last decade.

One of its defining characteristics is its best-in-class logistics infrastructure, which has enabled it to narrow the gap with leading Alibaba.

Image source: JD.com

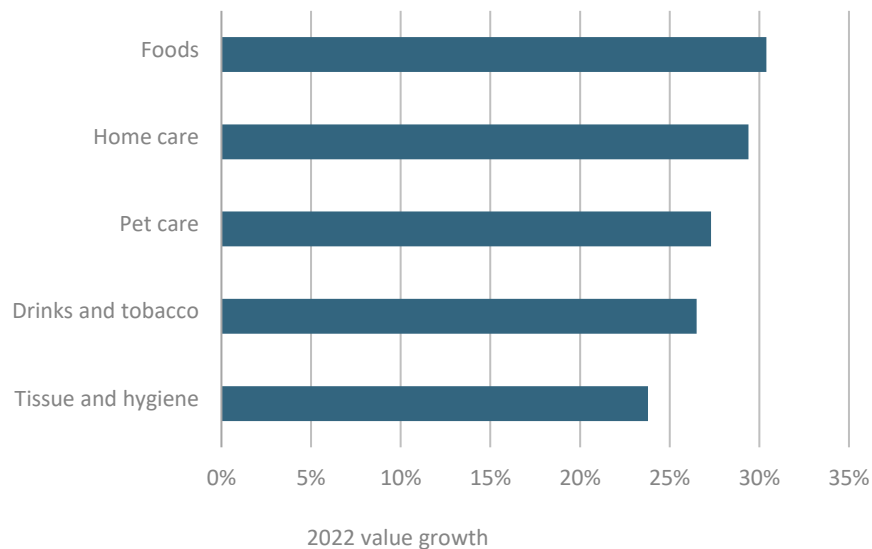
Food e-commerce is a key area to watch in the US



Source: Euromonitor International Passport: E-Commerce, April 2023 update

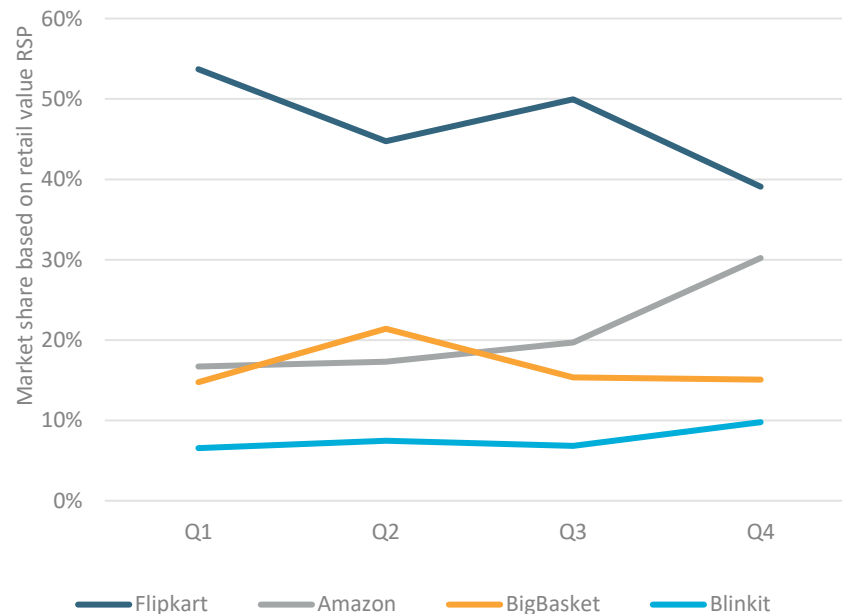
Amazon gaining share on the Amazon of India, Flipkart, in several fast-growing categories

Fastest-Growing Product Categories in India, 2022



Sources: Passport: Retail, 2023 edition

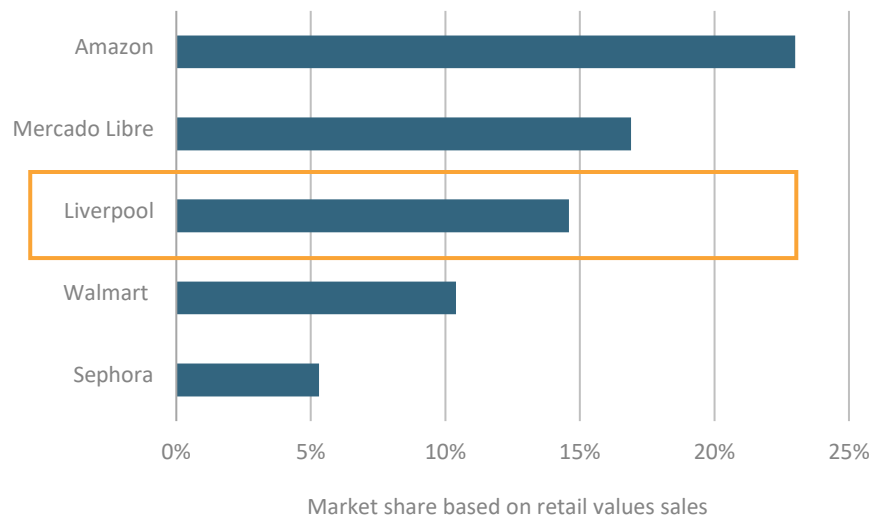
Share of Retailers Selling Home Products Online in India, 2022



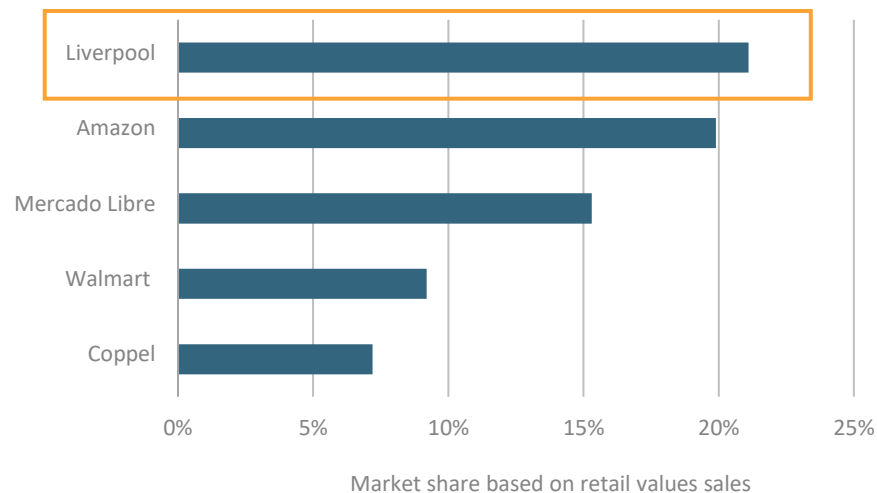
Source: Euromonitor International Passport: E-Commerce, April 2023 update

Latin America emerges as e-commerce growth region

Top Five Retailers Selling Beauty and Personal Care Online in Mexico, Q3 2022



Top Five Retailers Selling Beauty and Personal Care Online in Mexico, Q4 2022



How to chart a path forward amid the wider retail revolution

Engagement channels

- Explore newer ways of engaging, such as social media platform or livestreaming.

New interfaces

- Consider how consumers will interact in the future and how this will impact shopping.

Business models

- Evaluate new business models like DTC, marketplaces, or retail media networks.

Strategic partnerships

- Consider partners to expand reach or better meet consumer needs.

New technologies

- Investigate whether new technologies can help efficiencies or the customer experience.

What will it take to win?

Take a holistic approach

Embrace the role of the store

Explore new ways of selling

Investigate new technologies

Seize the value of data analytics

Q&A

Mastering E-Commerce Growth: How to
Win Online Amid Uncertainty

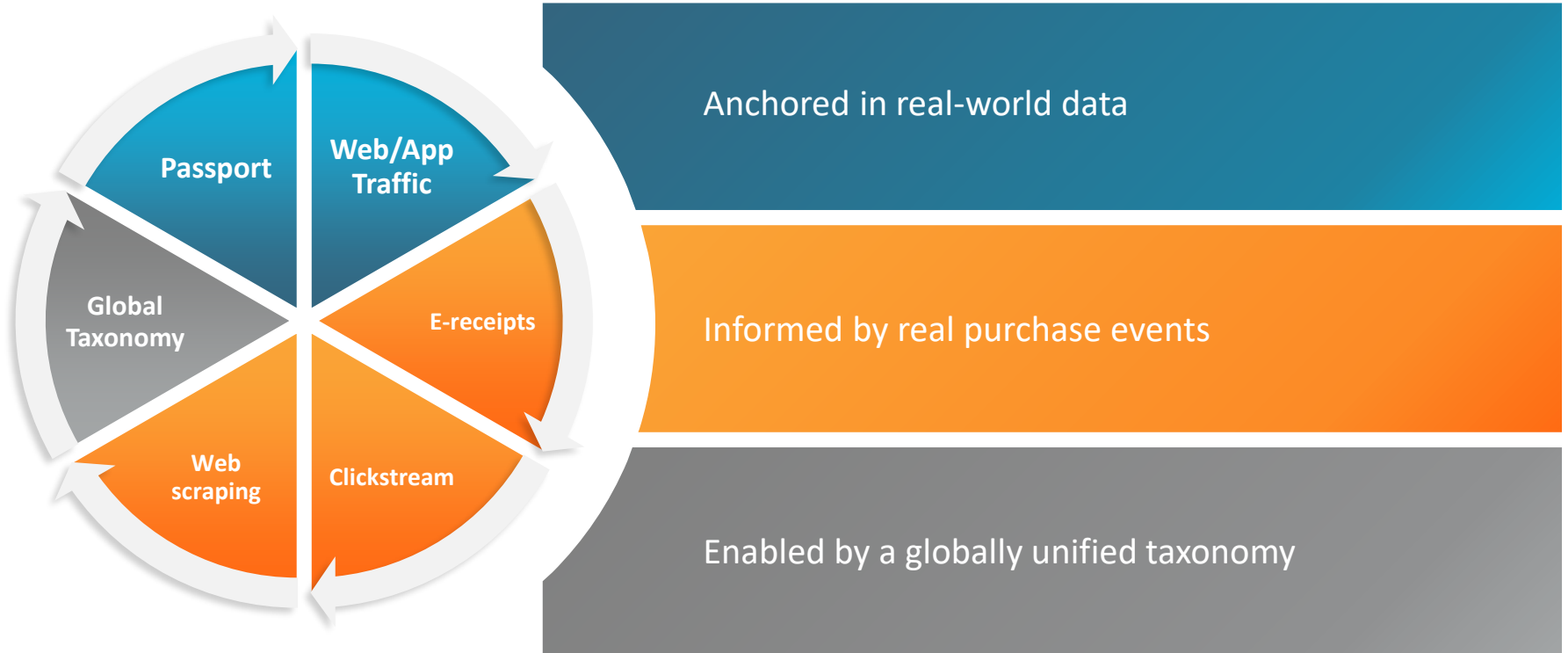




Passport: E-Commerce

Tracks quarterly online sales by industry, category, subcategory, brand and retailer

Transforming the most trusted e-commerce sources into sales data





430

retailers tracked in
this research

550

categories across 12 FMCG
industries

80%

online sales across 12 countries
of coverage



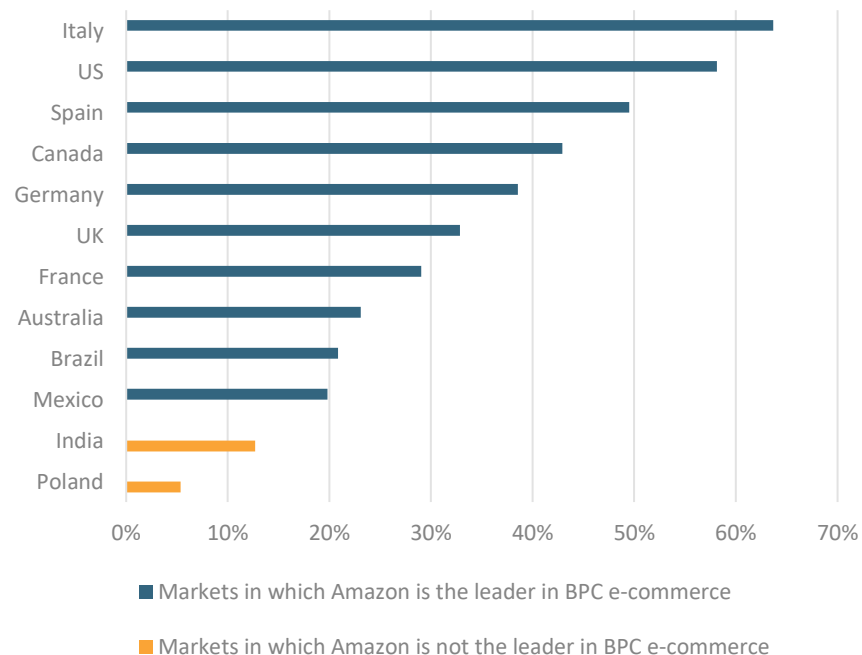
Spotlight: How Beauty Brands Can Gain Share of Digital Shelf

Bob Hoyler, Manager of Retail and Digital Consumer Insights

All other retailers are playing catch up to Amazon in the global BPC e-commerce space

Amazon's Share of BPC E-Commerce Sales by Country, 2022

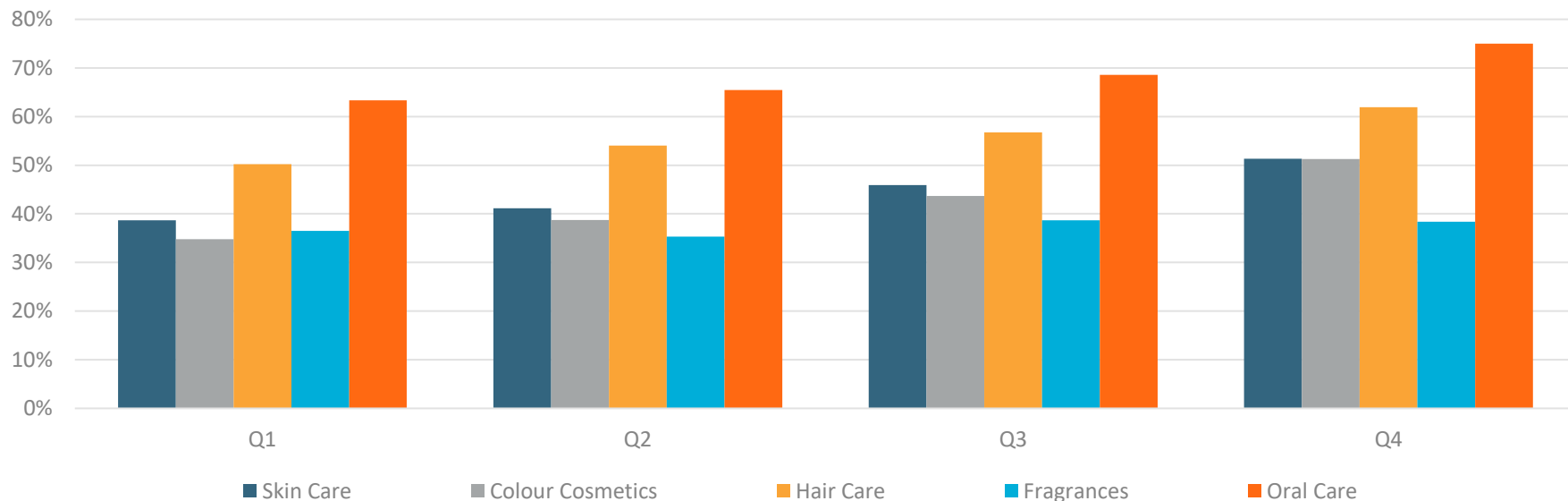
USD million (Retail rsp excl VAT, current prices)



BPC e-commerce is a seasonal business – and the fourth quarter is of outsized importance

Amazon's Share of BPC E-Commerce Sales by Category, Q1/Q2/Q3/Q4, 2022

USD million (Retail rsp excl VAT, current prices)

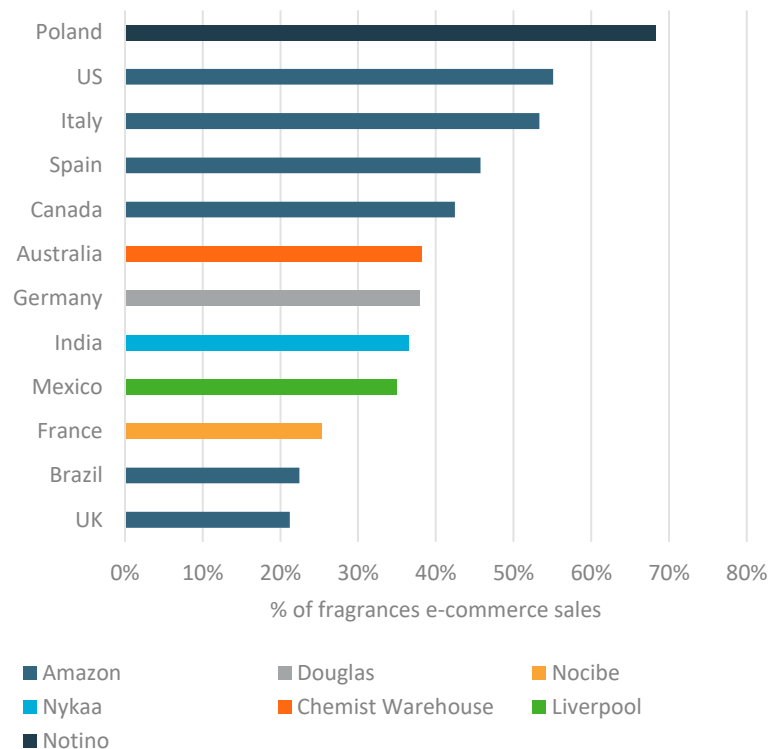


Amazon's relative weakness in fragrances gives other e-commerce retailers an opening



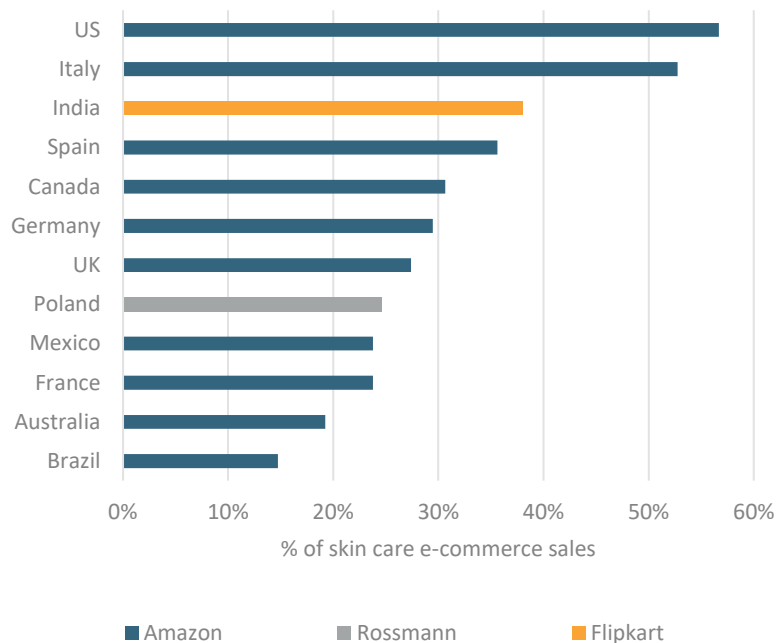
Market Leader in Fragrances E-Commerce Sales by Country, 2022

USD million (Retail rsp excl VAT, current prices)



Market Leader in Skin Care E-Commerce Sales by Country, 2022

USD million (Retail rsp excl VAT, current prices)



Retail generalists are finding success with skin care online



Source: Euromonitor International, Passport: E-Commerce, April 2023 update

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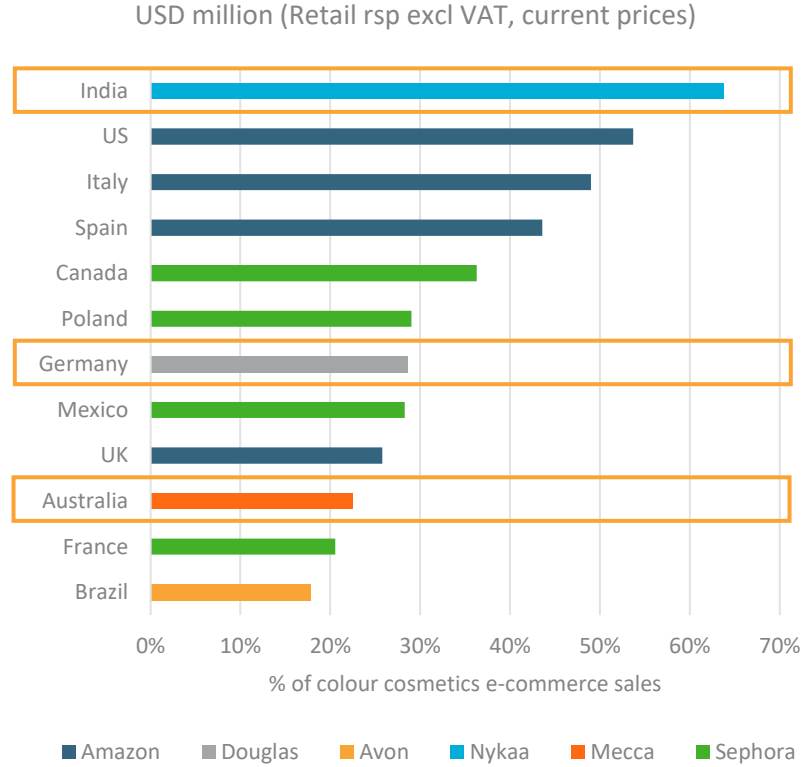


Target partnered with beauty specialist retailer Ulta. By the end of 2022, Ulta had “shop-in-shops” in more than 350 Target locations across the US.

In 2023, Target announced it would spend USD100 million to build a network of delivery hubs to speed up shipping times.

Amazon leads in global colour cosmetics e-commerce, but national champions emerge in select markets

Market Leader in Colour Cosmetics E-Commerce Sales by Country, 2022



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SAVER**
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Nykaa, a digitally-native beauty specialist, became the first female-led unicorn start-up in Indian history in 2020.

In 2021, Nykaa launched The Global Store, which brings brands from the US, South Korea and elsewhere to India for the first time.

What's next?

Amazon will remain a formidable presence in BPC e-commerce for the foreseeable future

Beauty specialists have a chance to gain market share – especially on their home turfs

Retail generalists have unique advantages that can help them expand their digital BPC sales

High inflation provides retailers with a golden opportunity to expand BPC private label sales

Q&A

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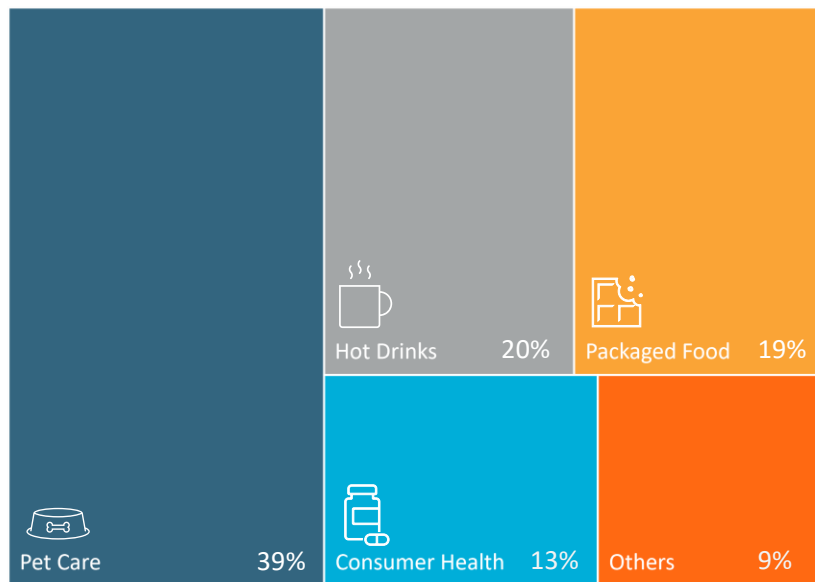


Spotlight: Unpacking Nestlé's Strategy for Winning Online

Rabia Yasmeen, Senior Consultant

Nestlé's online FMCG success spotlights winning categories

Nestlé SA - E-Commerce Value Sales
Breakdown by Industry, 2022



Nestlé SA – Top E-commerce brands
By Value Sales, 2022



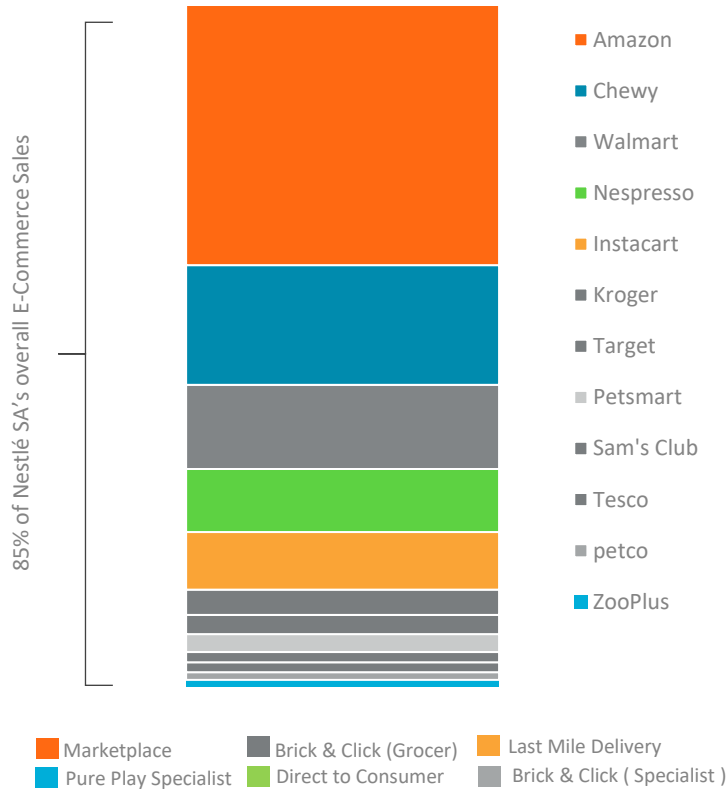
Source: Euromonitor International Passport: E-Commerce, April 2023 update

Note: Data represents at least 80% of e-commerce sales in FMCG categories across 12 countries covered in Passport: E-Commerce.

Image source: Purina.com, Nespresso.com, Starbucks.com

Nestlé SA - E-Commerce Value Sales

Breakdown by Retailer, 2022



Source: Euromonitor International Passport: E-Commerce, April 2023 update
 Note: Data represents more than 80% of online sales in FMCG categories across 12 countries covered.
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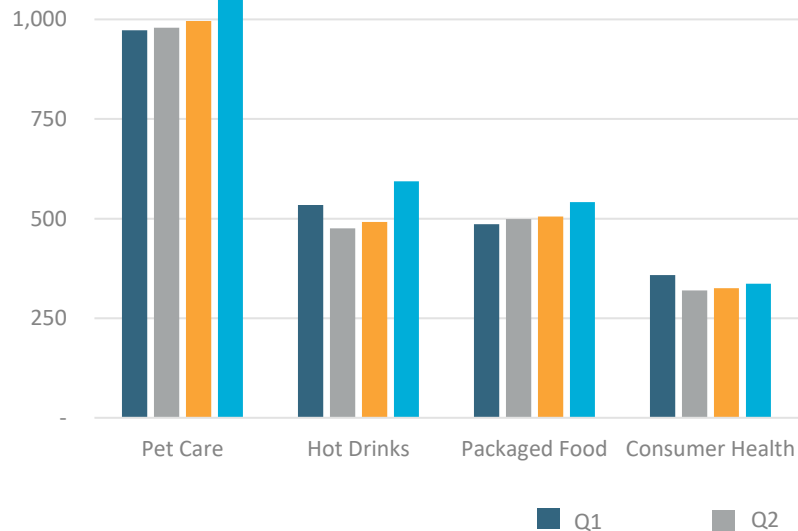
Channel diversification is key to Nestlé's e-commerce strategy

The mix speaks to the high relevance of its distinct brands in its portfolio.

Seasonality and retailer strategy impact shifts in channel preference

Quarterly Performance– Nestlé SA

E-commerce Sales by Category, 2022



Quarterly Performance– Nestlé SA

E-commerce Share by Retailer, 2022



Source: Euromonitor International, Passport: E-Commerce, April 2023 update

Note: Data represents at least 80% of e-commerce sales in FMCG categories across 12 countries covered in Passport: E-Commerce.



Purina's e-commerce success contributes to Nestlé's leadership in online pet care.

Purina accounts for 90% of Nestlé's online pet care sales and 35% of Nestlé's overall online sales across all industries.

Image source: Nestlé Annual Report 2022

Source: Euromonitor International Passport: E-Commerce, April 2023 update



65%

Nespresso's online sales conducted via its own e-commerce platform

16%

Share of Nespresso in the US hot drinks online market

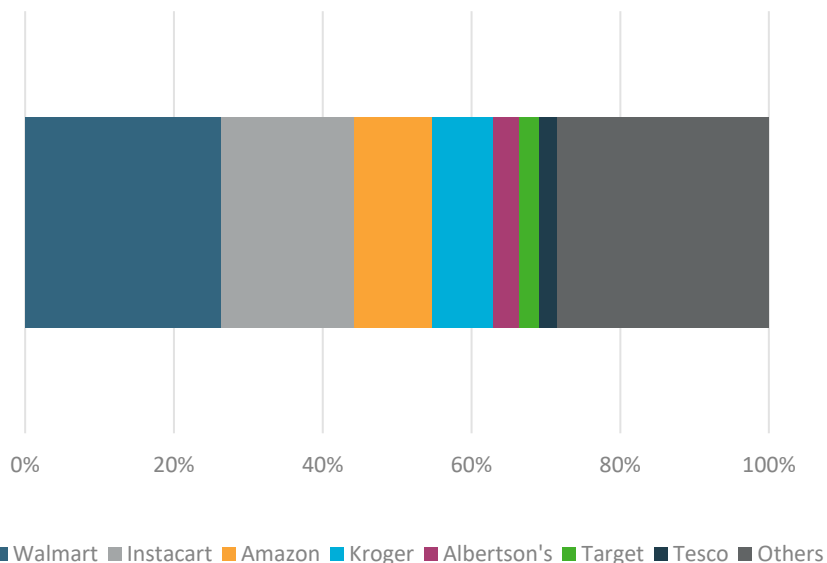
Image source: Nestlé Annual Report 2022

Source: Euromonitor International, Passport: E-Commerce, April 2023 update

Grocery specialists remain key partners for packaged food sales

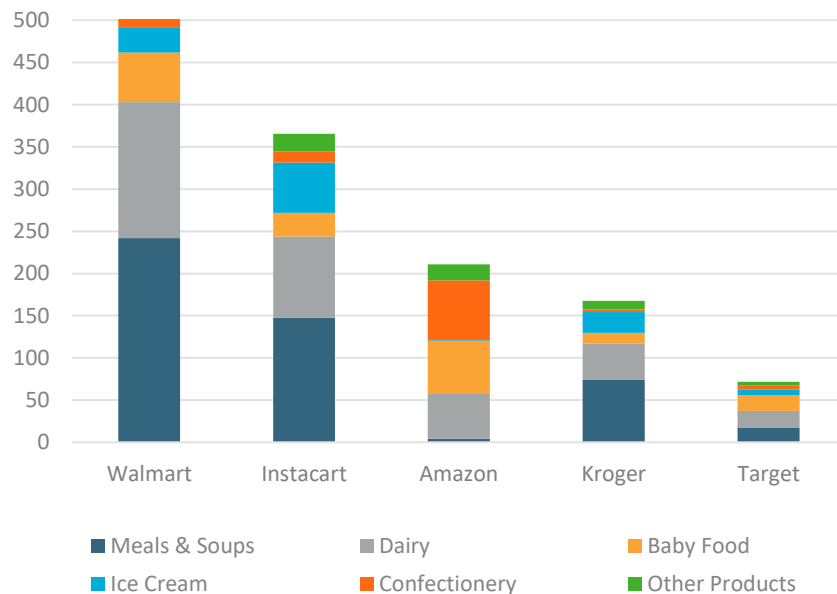
Nestlé SA – Packaged Food E-Commerce

Sales Breakdown by Retailer, 2022



Top 3 Retailers – Nestlé SA Packaged Food E-Commerce

Sales Breakdown by Retailer, 2022, USD million, Retail RSP excl. VAT



Source: Euromonitor International Passport: E-Commerce, April 2023 update

Note: Data represents at least 80% of e-commerce sales in FMCG categories across 12 countries covered in Passport: E-Commerce.

What's next?

Finding new sources of growth to achieve 25% of group sales via e-commerce by 2025

Increased e-commerce penetration emerge as a competitive advantage

Nestlé still to leverage its global leadership in packaged food for digital share of shelf

Premiumisation and product innovation to drive value to reach e-commerce goals

Q&A

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Mastering E-Commerce Growth

How to Win Online Amid Uncertainty



Michelle Evans
Euromonitor
International



Vincent Cotte
Carrefour



Todd Hassenfelt
Colgate-Palmolive



Jason Goldberg
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WEBINAR

2023 Digital Shopper Trends

Michelle Evans and her team will share tech trends that are redefining commerce in 2023, including social platforms, personalised experiences and immersive shopping.

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