

SPRINGBOARD

Executive Summary

4th MARCH 2021

JOIN THE FIFTH GENERATION

Retail on the Cusp
of a New Era



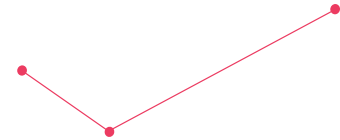
SPRINGBOARD



EDGE[^]
BY ASCENTIAL

Agenda

Introduction	3
Retail 5.0 and the New Battleground for Shoppers	4
4 Ways Consumer Brands Can Prepare for Future Trends	6
Sizing the Prize: The Delivery Intermediary Opportunity	9
Master Alibaba's Digital Ecosystem to Succeed in China	12
About The Consumer Goods Forum	15
About Edge by Ascential	15



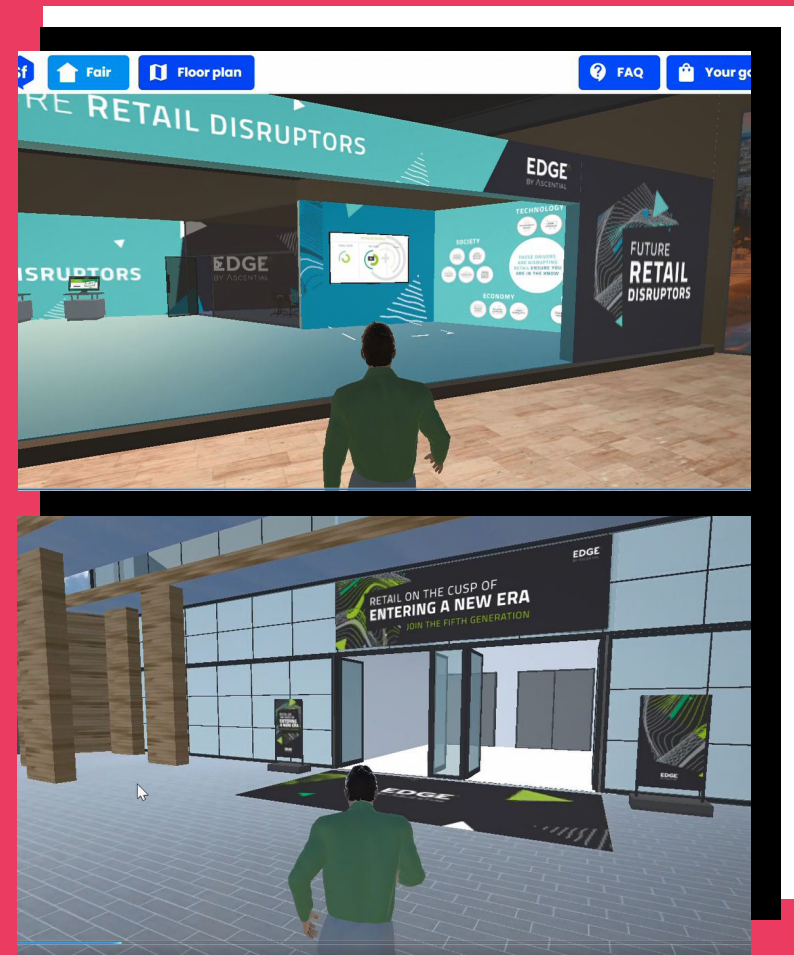
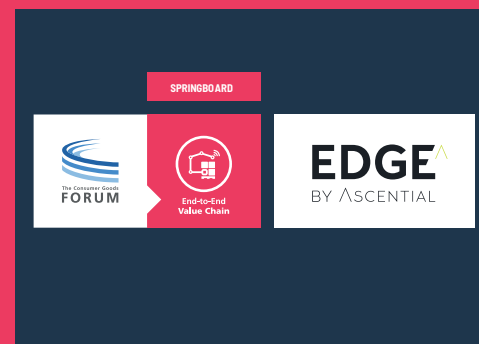
Introduction

Over the past 25 years, retail has been on a difficult journey: from a physical-only activity to an omnichannel pursuit. The growth of ecommerce around the world is well documented and the pandemic has accelerated digital retail as shoppers have shifted their spending from experiences and holidays to cooking equipment, TVs and trampolines. By 2025, online sales will account for about 40% of total sales in the consumer goods industry and ecommerce will be dominated by a handful of major platforms and marketplaces, such as Alibaba and Amazon.

This is the next phase of the retail revolution - an era categorised by marketplaces mastering personalisation at scale and big data being effectively leveraged. Consumer packaged goods' (CPGs) brands that are agile, can pivot

where necessary and understand how to optimise their operating models and business and marketing strategies to capture the marketplace shopper can win big in this new era. Those that are slow to do this will fall behind fast.

The Consumer Goods Forum and Edge by Ascential hosted a virtual SpringBoard event on 4th March 2021 to discuss the future retail environment and the biggest challenges and opportunities for CPGs in the new era of commerce. This Executive Summary offers an overview of the key themes of the event, with a focus on why CPGs must embrace the might of the marketplaces and change priorities over the next few years to achieve results in Retail 5.0.



Retail 5.0 and the New Battleground for Shoppers

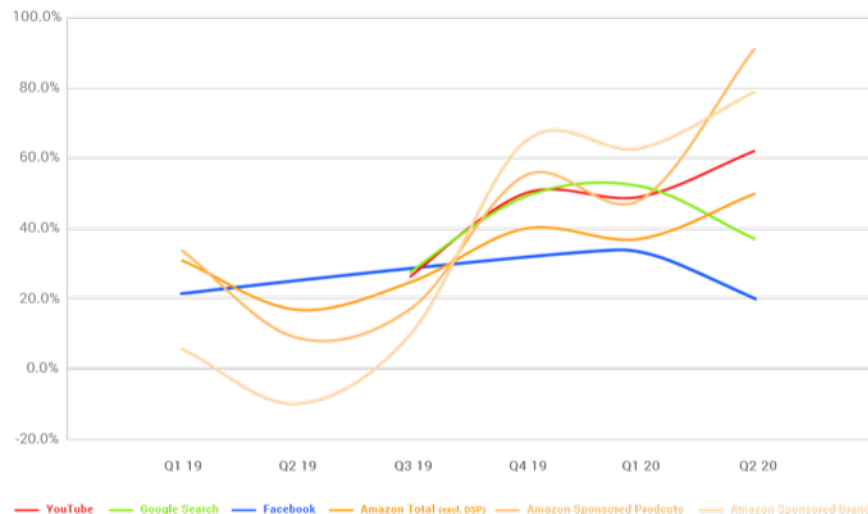


Speaker:
Deren Baker, CEO,
Edge by Ascential

"By 2025, five marketplace giants will generate two-thirds of global ecommerce sales"

-Edge by Ascential research

Global Growth in ad spend on Amazon (non-DSP), Year-on-year % change



Source: WARC *Excludes demand side platforms

Brands must focus on digital retail, where transactions actually happen. Expensively trying to buy a crowd is not a strategy that can succeed in the Retail 5.0 future.

Since the beginning of the century and the early days of the internet, retail has had to evolve in line with the emerging drivers of industry growth. As digital marketplaces gained traction with shoppers, consumer packaged goods companies (CPGs) had to figure out how to manage transparency in a digital world. They had to work out how to allocate their advertising budget effectively, product innovation and fulfillment strategies for a world of clicks as well as bricks. Then came the fantastic rise of algorithm-driven commerce and the development of the technologies that we are seeing scaled today. The big challenge for CPGs over the past decade or so has been speed to market. Now, we are heading into a new era of retail, what we at Edge by Ascential call Retail 5.0.

Mastering Personalisation at Scale

This new generation of retail is characterised by marketplaces mastering personalisation at scale and leveraging big data to win. For the most well-known marketplaces today, commerce is just one spoke of an integrated ecosystem with shopper data at the core. Amazon has a loyalty programme, entertainment services through Prime, cloud computing through Amazon Web Services among other service lines that make the shopper experience “sticky”. In 2020, Amazon spent almost USD \$43 billion on research and development.

We have seen estimates that by 2025, marketplaces could spend as much as USD \$60 billion on R&D. CPGs will simply be unable to compete with the capital availability that these marketplaces have at their disposal for innovation and

advertising to increase shopper loyalty and grow new customer markets and segments. In addition, the death of the cookie means data management platforms (DMPs) won’t offer brands an alternative personalisation option.

Effective Marketplace Strategies Will Be Key to Future Growth

Our Retail Insights analysts predict that by 2025, five marketplace giants will generate two-thirds of global ecommerce sales. This underscores the urgency of CPGs to master a defined set of priority e-tailers, tiering them and then targeting them methodically. Brands must focus resources on learning the dynamics and mechanics of these global marketplaces based on category and geographical coverage to drive sales share and optimise revenue in mature markets. This means really understanding the individual

levers that power each marketplace and consistently managing these variables at scale, across multiple retailers and regions.

The fundamentals of shopping and driving sales have not changed: ensure your products are available, easy to find and are compelling enough to drive conversion. In the world of scaled ecommerce, we believe this translates to managing inventory in line with the rules of the marketplace, mastering the search algorithms to rank high in the results and using content, rating and reviews to improve the shopper experience and boost conversion.

Shift Your Ad Spend

Finally, we recommend CPGs move their advertising and marketing spend away from more generic search and social marketing and allocate it to on-platform

marketplace marketing because that’s where your customers are already buying your products. Retail 5.0 is a big shift in how most brands and manufacturers currently operate and could require a new organizational structure as well as new business and marketing priorities, but doing business like it’s 2010 is simply not an option in the 2020s and beyond.

4 Ways Consumer Brands Can Prepare for Future Trends



Speaker:
Xian Wang, VP, Retail
Insights, Edge by Ascential

“Winning on a digital ecosystem is like learning a new video game... first, learn the rules, then play until you figure out how to win”

- Xian Wang, VP, Retail Insight, Edge by Ascential

For leading players, geographic presence ranges from single market to global operations



Every year, our Retail Insight analysts review what we see as the biggest drivers of change that could disrupt business in the retail industry under five core themes: society, technology, economy, industry and policy. We call these the STEIP drivers. We use the STEIP framework as a lens to form a view on how the future will unfold, with an emphasis on shopper mindsets and behaviours and market trends.

With this set of assumptions about the future world, we recommend market, customer and talent strategies that will help forward-thinking businesses succeed. Despite the uncertainty of the future outlook, CPGs must still make plans.

Based on our 2021 research, here are 4 key recommendations for CPGs in 2021.

***57%**

Of global sales will be made online by 2025

***3 X**

By 2025, ecommerce will grow that much faster than store-based channels

Data provided by Edge by Ascential

1. Engage With All Digital Touchpoints

In 2020, retailers embarked on a needs-based digital expansion to serve their stuck-at-home customers during the COVID-19 pandemic. Many have spent the past 12 months trialling new initiatives in ecommerce, fulfilment and technology to better meet consumer needs for convenience and safety. This trend will continue with retailers tailoring platforms, pricing and engagement to win over shoppers in an increasingly omnichannel society. Brands must leverage all digital channels and platform tools to connect with shoppers, particularly as physical shelf space continues to decline. Support your retail partners with online-to-offline integration that will build brand loyalty in-store but also, understand you can no longer just rely on these retailers to build loyalty for you.

Direct-to-consumer channels are worth considering, with a laser focus on constant testing and real shopper insight to

drive innovation. Strong execution through social media will be key to facilitating discovery, inspiration, conversion and loyalty in 2021 and beyond.

2. Innovate With New Models and Digital Touch Points Like Social Commerce

Social media is an established influencer in shopper behaviour. The rise of Tik Tok, Pinterest and Instagram has been quite tremendous over the past few years. But one of the things we saw last year and we expect to see grow in 2021 is social becoming a sales channel in and of itself. This has led to a rise in sponsored advertising and purchasing through social platforms. Livestreaming is booming, first popularised in Asia but now spreading across borders. It started with fashion and apparel but now increasingly food is being featured. Cooking demonstrations are gaining traction. This is an emerging but potentially significant opportunity to connect with the purpose-driven and socially responsible Gen-Z shopper,

who is maturing and moving into their prime spending years. Brands that can demonstrate localism, provenance and transparency will earn the confidence of these coming-of-age green consumers - and using popular social channels in innovative ways to drive engagement and sales should be seriously considered.

3. Differentiate Through Speed and Convenience

Speed will become a major differentiator this year and beyond. Not only have shopper expectations increased with respect to fulfilment requirements, but priorities are fast-changing too. To compete, brands must develop the analytics capabilities to predict demand more accurately as well as develop more flexible product innovation cycles and supply chains that can keep pace with fast-changing customer requirements. This is a radical change to the go-to-market of five years ago.

Case Study: Dinner brought to you by Kroger

By partnering with personalised meal planning app Dinner Daily, Kroger is making life easier for its existing customers and attracting the attention of new shoppers too. Dinner Daily creates weekly meal plans according to member food preferences, health and dietary requirements. Customers easily select the items they need on the app which is integrated with Kroger's online ordering system, incorporating Kroger special offers so customers can take advantage of discounts.

4. Treat Intermediaries as Customers

On-demand delivery providers, like Uber Eats, Instacart and Shipt, were standout performers in 2020 and we anticipate they will be sticking around. In the US, grocery sales on these platforms boomed. Instacart led the way reporting USD \$12.6 billion of sales in 2020, double its nearest rival, the grocery platform of

Walmart.com. As more retailers cooperate with these intermediaries as a cost-effective way to scale up fulfilment capacity quickly, we see them becoming essential points of influence in a shopper's purchase decision. Brands must start treating intermediaries as customers to win visibility on these platforms. They will also have to also work closely with their retailer partners from whom the intermediaries pick and pack from to ensure on-shelf availability. If that sounds like business becoming more complex, that is certainly the case. Brands should treat the rapidly-growing intermediary segment as a rising channel to customer, developing tailored product, pricing and promotional strategies to drive conversion on these platforms.

Case Study: Mars Wrigley and the "Snickers Store"

Confectioner Mars Wrigley launched a dedicated online store on India's delivery platform Swiggy in 2020. Through the Snickers Store, chocolate lovers in India can access the popular

Mars Wrigley brands, such as Mars, Galaxy and Bounty within an hour of having a craving. The service was piloted in Delhi, Bangalore, Kolkata and Chennai with the understanding that it would be rolled out across the country in due course.

Sizing the Prize: The Delivery Intermediary Opportunity



Panelists:

Doug Koontz, Director, Content Strategy and Analytics, Retail Insight, Edge by Ascential

Robert Gregory, Research Director - Advisory, Edge by Ascential

Paul Harrison, Chief Operating Officer, Ascential

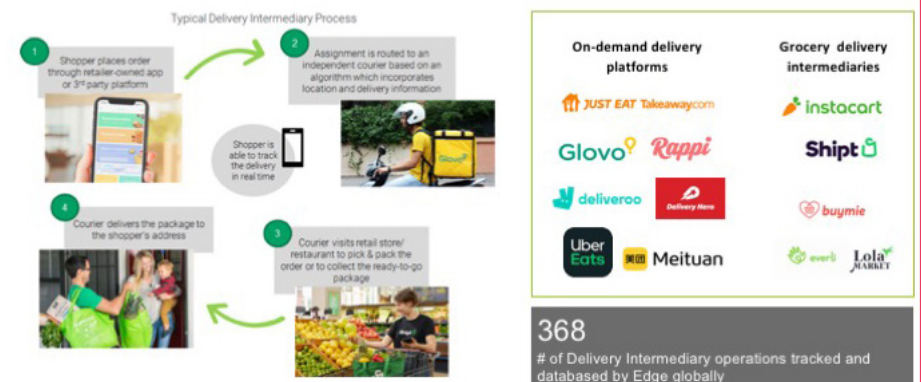
Jonathan Jagard, Senior Manager, eCommerce Insights, Edge by Ascential

“Our data predicts by 2025 delivery intermediary GMV will more than triple to more than \$980 billion, from \$261 billion in 2020”

“The scarcity of publicly available data makes it difficult for CPGs to quantify the size of the opportunity and so justify the size of the investment - yet intermediaries cannot be ignored”

Last-mile delivery is an evolving, complex and growing sub-channel of ecommerce. Ascential's ecommerce experts take stock of a dynamic market.

A channel sitting between consumers and merchants



What Are Delivery Intermediaries?

Delivery intermediaries are food aggregators or last-mile delivery providers. They are platforms that sit between the consumer and the merchant. Typically, the way they work involves the consumer placing an order through an intermediary's app and then the platform leverages a network of local couriers to provide an on-demand delivery service.

This sector began life working with restaurants to deliver food on-demand but with the exponential growth in demand for ecommerce in 2020 as a result of the pandemic and lockdowns, some intermediary platforms expanded their offering, developing partnerships with retailers and supermarkets.

Gross Merchandise Value (GMV) or total revenue in the sector worldwide grew by about 64% in 2020, faster than ecommerce as a whole. 2020 also sounded the starting gun on some

significant mergers and acquisitions in the sector as leading players made some big bets on the potential size of the last-mile delivery market.

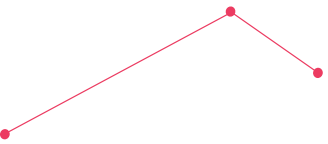
One example was Dutch online food delivery service Takeaway agreeing to pay USD \$7.8 billion for the UK's Just Eat and then as the ink was still drying on that deal the combined firm offered to buy US rival Grubhub in a deal worth USD \$7.3 billion at the beginning of 2021. These are very big sums and send a clear message - global market dominance is the name of the game.

Rethinking Convenience: Grocery and Beyond

As the biggest names in the sector expanded their geographic reach last year, some of them also started looking to new services, categories, and channels to sustain growth in a post-pandemic future. The grocery category was one area of expansion. Edge by Ascential data shows that GMV in the category grew from 10%

in 2019 to 14% in 2020 as supermarkets sought distribution partnerships to boost capacity and keep up with demand. In the UK, Aldi, Waitrose and Morrisons forged partnerships with Deliveroo. In the US, 7-Eleven teamed up with DoorDash, Postmates and Favor Delivery.

There have also been interesting developments happening outside the grocery category. Skincare-to-cosmetics firm Avon in December 2020 announced the launch of an on-demand same-day delivery service courtesy of a partnership with Rappi, which will pilot in Brazil. Consumer electronics chain Best Buy partnered with Instacart as a cost-effective, more reliable and faster option of being able to offer its US customers the convenience of same-day delivery than the traditional package carriers.



Our data predicts that by 2025 delivery intermediary GMV will more than triple to more than \$980 billion, from \$261 billion in 2020. The opportunity cannot be ignored, but at the same time, the fast-changing dynamics of the market - with almost constant innovation, entries and exits - and the scarcity of publicly available data makes it difficult for CPGs to quantify the size of the opportunity and where - and so justify the size of the investment.

Evolving but Important Channel

There is also often a degree of scepticism internally about the channel and its long-term prospects. These are some of the challenges we hear:

- **Which** would be right for us and our shoppers?
- **Which** should we prioritise?
- **What** are the characteristics of each channel and what does that

mean for content, assortment and pricing? How does the digital shelf differ from mainstream commerce?

- **How** are our competitors structuring and partnering with the sector?

These are challenging questions to answer, especially with limited industry precedent and a lack of historical data about this rapidly evolving channel. Certainly, the sector is in an experimental phase, with businesses trialling certain approaches that will not always be successful.

In February, we released our most in-depth dataset of the intermediary sector - globally and by region - with deep analysis and predictions of its trajectory over the next five years. It is available to subscribers of Retail Insight, our retail intelligence platform that gives our clients the knowledge, tools and data to win in a fast-moving world of omnichannel retail.

Intermediaries are an emerging and complex aspect of ecommerce but they will quickly become a core part of the shopper ecosystem that help create “stickier” consumer experiences and encourage brand and retailer loyalty.

Master Alibaba's Digital Ecosystem to Succeed in China



"What is perhaps less understood is Alibaba's huge and growing power as a marketing and advertising company, with a data capture and management system at its core"

Speaker:

Amber Chen, CEO, Duo Zhun

881 million

Alibaba monthly active users (September 2020)

940 million

Number of internet users in China - netizens (June 2020)

Alibaba is the world's largest retailer ahead of Amazon and Walmart. In 2020, it reported revenue of USD \$667 billion and most of that was generated in China through the ecommerce giant's Tmall and Taobao shopping apps. Alibaba has for years been investing in these digital ecommerce platforms to meet diverse demands from different demographics and drive domestic consumption. In parallel, Alibaba has been growing and developing a sophisticated ecosystem.

But what is perhaps less understood is Alibaba's huge and growing power as a marketing and advertising company, with a data capture and management system at its core. This capability through Uni-ID allows Alibaba to trace the footprint of the consumer on its multitude of different channels online and offline and so offer the brands that use the marketplace a rich consumer data centre to guide sales tactics and long-term business strategy.

The company has added consumer touchpoints in all areas, from entertainment and cloud computing to payments and social networks. Of China's almost 1 billion internet users, about four fifths regularly access an Alibaba channel. That is all quite well known.

Activating the Brand Databank

Through Uni-ID, Alibaba can help brands influence effective business decisions. These are:

Uni Strategy:

- Helps brands to understand the market landscape of their category and future trends, consumer personas, where they are on their purchase journey and even support new product launches through the Tmall Innovation Centre (TMIC).

Uni Communication:

- Identification of consumer media preferences and touchpoints, whether they prefer live broadcast, real-time bidding advertisements, reviews or other content and then compare campaign-to-campaign ROI for more cost-effective media execution.

Uni Operation

- Provide data dashboard on a store-by-store basis, showing store traffic and conversion data and comparatives with competitors.

In addition, the company has four levers to help brands engage with their consumers. These are:

Marketing Events

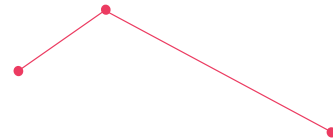
Alibaba has different levels of marketing events. Double 11 - or Singles' Day - and Double 12 are examples of top S-level promotion events. Alibaba said that not even 30 seconds into 2020 Double 11, Tmall's orders set a record of 583,000 transactions per second, 1,457 times that of the first Double 11 in 2009, and exceeding the highest transactions of 544,000 in 2019. Valentine's Day, Women's Day and Chinese Valentine's Day in August are also key shopping festivals that brands can benefit from.

Personalised Recommendations

The home page of the app will be customised to each individual shopper based on search and purchase history. Compared to Amazon, Taobao has a more dynamic interface and is structured to encourage its shoppers to spend more time window shopping. This suits Alibaba shoppers, who tend to be mainly women - about two thirds of all users.

Short Videos

The explosion in popularity of Tik Tok has seen Alibaba put greater emphasis on short videos. Diversified video content scattered through the Alibaba ecommerce platform is successfully turning customer traffic into revenue. In fact, 80% of traffic is currently coming from video and livestreaming.



I Livestreaming

Livestreaming ecommerce is booming in Asia - a trendy, modern take on the US shopping TV networks but with more charismatic hosts offering entertainment as well as an opportunity for the consumer to get more real-time detail on the benefits of the product in a more vivid experience. Sometimes, hidden coupons are also made available in the broadcast. Li Jiaqi earned the nickname “the lipstick king” after reportedly selling 15,000 lipsticks in less than five minutes. He has been acknowledged by Time Magazine as being one of the emerging Top 100 Most Influential People in recognition of his commercial achievements through live selling. Live broadcast currently accounts for about 10% Tmall traffic. Brand executives, even the CEO, can engage directly with their market in this way.

Brands looking to grow their presence and sales in China should partner with Alibaba and ensure that they are included in emerging initiatives, such as 3D shopping experiences and social commerce to encourage product discovery and gain an early-mover advantage.

About The Consumer Goods Forum

The Consumer Goods Forum ("CGF") is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 3.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises 58 manufacturer and retailer CEOs.

For more information, please visit:
www.theconsumergoodsforum.com

About Edge by Ascential

Edge by Ascential helps global and local brands to win in digital commerce in a new and complex era of omnichannel retail. Our unique combination of industry-leading data, analytics, market research and expert consulting solutions inform the ecommerce strategies of the world's leading brands. We help our clients to optimise their performance and always make the right investment decisions, drive margin growth and achieve the necessary edge to grow. More than 400 global brands depend upon our weekly, daily and real-time data-driven insights.

A subsidiary of Ascential plc, the global specialist information company, Edge by Ascential operates in North America, Europe and APAC, where we work with Yimian and Duo Zhun (DZ), also Ascential companies,

to provide brands with a comprehensive solution to optimise online demand, particularly through China's biggest digital marketplaces Alibaba and JD.com.

For more information,
visit www.ascentialedge.com

Connect with us on:
LinkedIn [@EdgeAscential](#)
Or Tweet us on:
Twitter: [@EdgeAscential](#)

