Digital Transformation in E-Commerce

May, 2017

Enabling a *connected company*

Retail channels are converging and evolving

Retail Sales Growth Online vs All-Retail

Total Online Growth: 18.4, 28.5, 25.4, 30.9, 32.5, 33.5, 23.8, 16.9, 17.3, 15.1, 14.9, 13.3, 11.9, 9.3, 7.7, 7.5

Total Retail Growth: 5.0, 4.6, 3.7, 1.3, 2.7, 3.6, 2.0, -0.4, 1.6, 0.9, 1.0, 1.9, 2.5, 2.7, 2.8, 2.8

Years: 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 13, 14, 15, 16, 17

Forecast

Source: Verdict
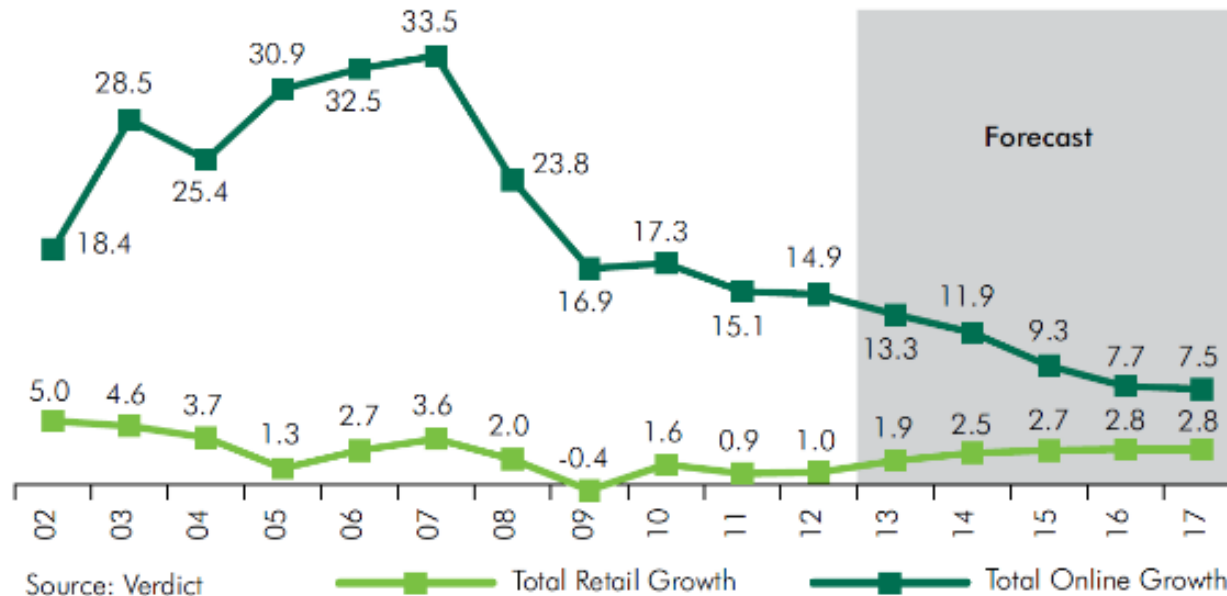
Based on current growth trends, the Internet will top-out at **13% - 15% of total retail sales in 2020**, less than half the level of the more optimistic predictions of recent years.

Growth to come from **disruptive online groceries** (e.g. Google Express)

Home delivery models (clicks and bricks) lead to **margin dilution** - high delivery costs, pick and pack creates a new cost layer

Online groceries format is **on the rise**
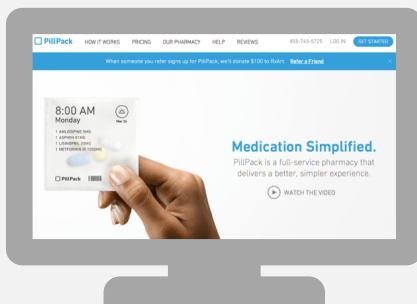
Digital disruptors to CPG in the last few years

## Multitude of disruptors in the CPG market, led by online groceries

Launched in 2011, 80% of sales done online mostly in subscription, $250mil in total sales, launched Honest Beauty in 2015, valuation of $1.5bil.
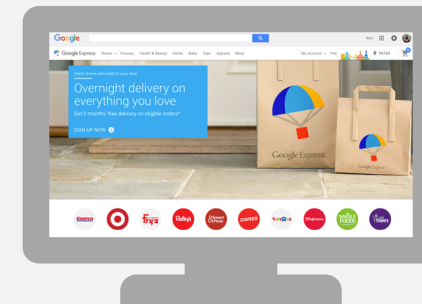
India's top online grocer launched in 2014, 50% of payments are online, $450mil in total sales, valuation of $1bil.

Launched in 2014, personalised pharmacy experience.
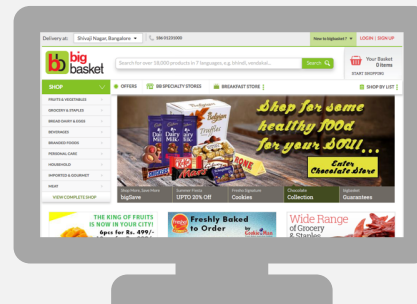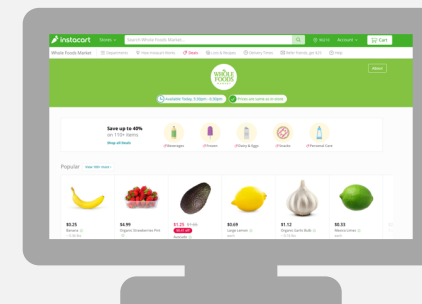
LATAM's top auction site, $650mil in total sales.

Groceries pickup & delivery, launched in 2015, starting from the west coast, US.

Strategic drivers of E-Commerce

E-Tailing and Retailers.com

Emerging Channels

01. E-Tailers such as Amazon & Jet

02. Bricks & Clicks such as Walmart, Target

03. Marketplace

04. Direct to Consumer

- **Online Shelf Portfolio:** Optimize SKU mix
- **Win the shelf:** Improve SEO, placement reviews and better governance
- **Operating Model:** Right resources to manage key retailer relationships

- **Distribution Drive:** expand existing offline portfolio into online stores
- **Leverage off-line:** aligned offline and online promotional calendar

- **Online Distributors & wholesalers:** activate online DBs
- **Pricing and channel harmony:** align trading terms to avoid pricing and channel conflict
- **Customer Service:** improve freight logistics to outbound receivers

- **Direct Fulfillment and Contact Centers** to enhance the overall consumer shopping experience
- **Innovative solutions** such as Facebook Messaging, Social Shopping and Peer to Peer models
- **Retargeting** through technology

4P compliance is the foundation of trading online

Offline	Online	
Price	**Price**	Incorrect pricing
Presence	**Search Ranking**	Poor search rankings, incorrect keywords tagged
Promotion	**Promotion**	Weak promotion uptake and tracking
Placement	**Portfolio Availability**	Out of stock, lost to Marketplace, lost to competitor
	Content	Poor SEO product titles, missing enhanced content, poor images, poor ratings and reviews

Benefits

Consumers buy on best price

Ranking of our products on the first search page vs competitors

Track the effectiveness of our promotions

Ensure stock is available for sale

Establish trust with the product and brand

MSL (priority SKUs) are being sold in the right online channels

Remediation activities

In addition to tracking online 4Ps, we need to create a closed loop ecosystem to remediate gaps in the execution

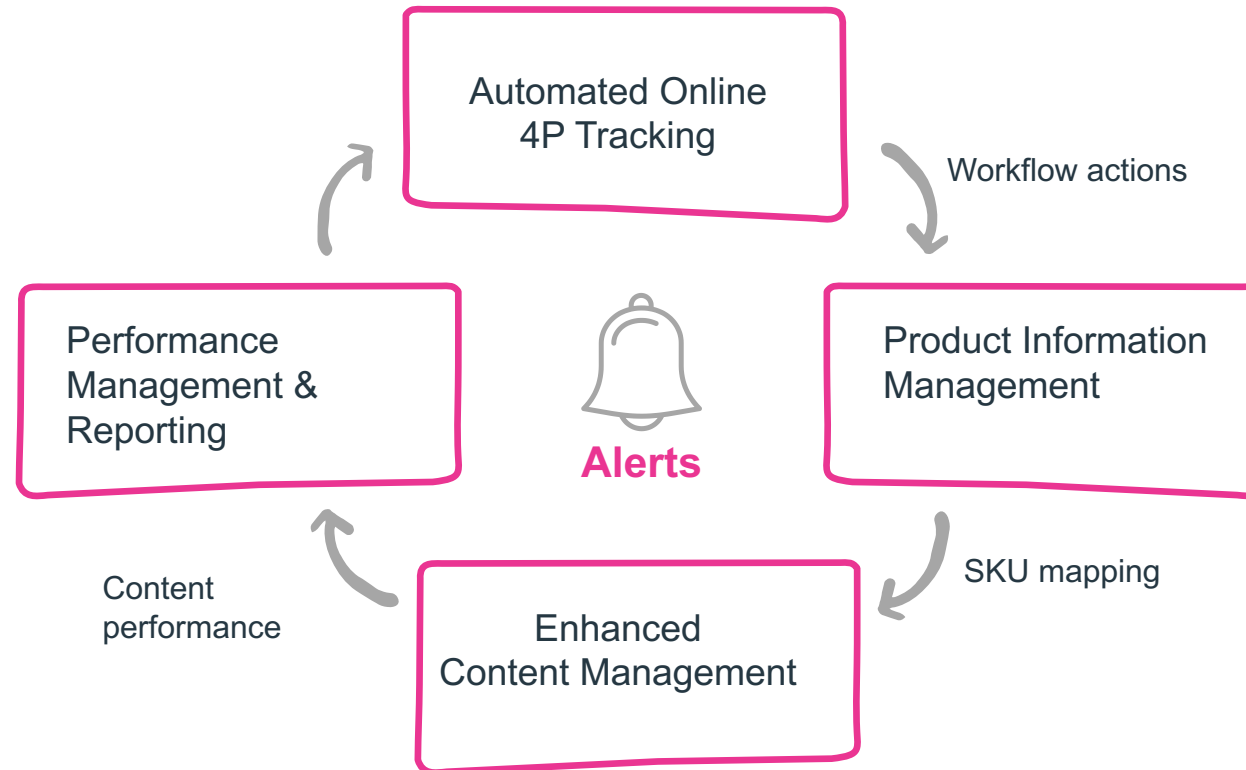| Online		Key Actions	
Price	Incorrect pricing	**Sales**	Apply pricing principles correctly
Search Ranking	Poor search rankings, incorrect keywords tagged	**Media**	Apply SEO/SEM techniques to improve search results
Promotion	Weak promotion uptake	**Sales**	Monitor ROI, adjust promotions
Portfolio Availability	Out of stock, lost to Marketplace, lost to competitor	**Supply**	Increase availability
Content	Poor SEO product titles, missing enhanced content, poor images, poor ratings and reviews	**Mkt**	Remediate content gaps, increase reviews and improve ratings

Content remediation

Content creation & remediation cannot be performed in isolation and need to be done in tandem with all trading platforms
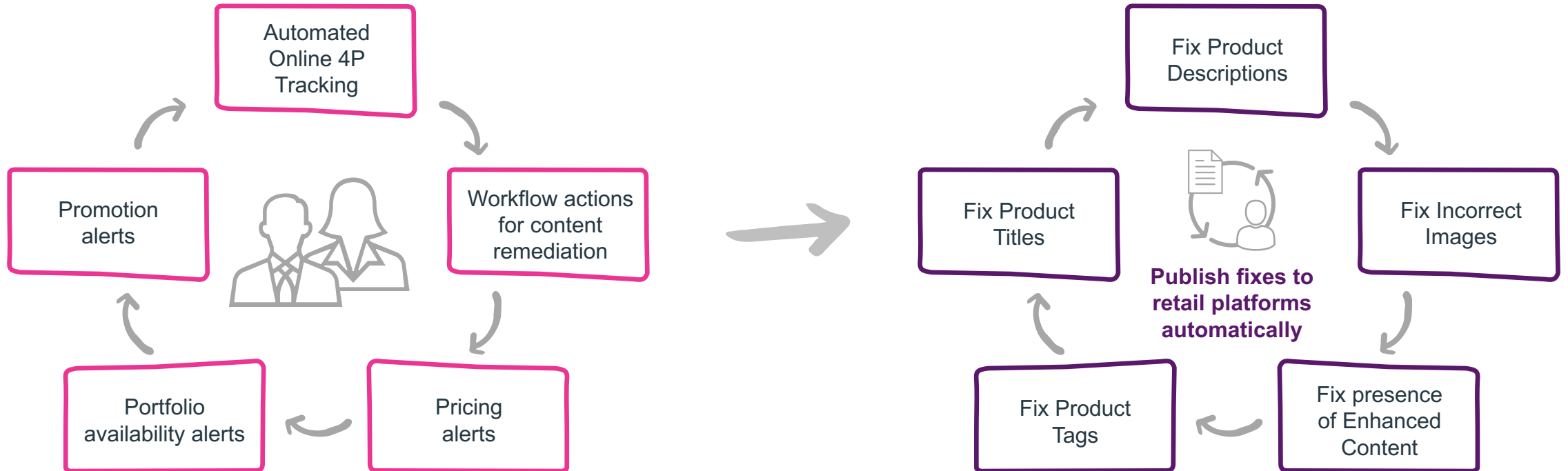
Ecosystem of expert systems

Carefully selected suite of expert systems that send signals to each other to automate the process of tracking, remediation and reporting is established

Automated Online 4P Tracking

Workflow actions

Product Information Management

SKU mapping

Enhanced Content Management

Content performance

Performance Management & Reporting

Alerts

In Summary, Path to Purchase Optimization is key

01

02

03

Managing and serving the right product content for the **right audience** in the **right market** with higher degree of personalization

Optimize search key words across categories and content for EC search engines to identify and rank

Support activation in E-Tailing, B&C & D2C; joined up strategy for Digital