

FMCG GOING MULTICHANNEL 2012

A Study of Online CG Marketplaces

INTRODUCTION

We understand that Amazon is preparing for a full on push into online grocery in the EU, after having laid the ground and quietly launched the service two years ago, by leveraging their marketplace operation to its fullest potential. The pureplay is undoubtedly pursuing the right strategy, as online grocery is taking off all over Europe, with a renewed effort by the leading retailers in 2010/11 to capture sales migrating to the online channel.

This raises the question of how the FMCG industry should react to these latest developments. After all the internet offers many possibilities to reestablish a meaningful relationship with customers and regain control over pricing, promotions and brand presentations – without having retailers involved. **We believe that the FMCG industry has to become multichannel.** Having an online presence also enables manufacturers to engage in market research and launch effective loyalty solutions.

Launching a FMCG online presence now is especially vital, as many retailers have started to use their private label propositions as a key differentiator from the competition, rather than just a way of boosting their margins. This means that repelling the private label push from retailers will only become harder for the FMCG industry in future.

Naturally, going online demands of FMCG players the development of new skills set and capabilities relevant to the online world and it **also involves some difficult negotiations** and diplomacy to keep existing relationships **with retail partners** in balance. After all turning into a direct competitor from having previously been a partner is not an easy step to communicate.

That said we also predict that more or less every manufacturer will have transactional online capabilities in future, as this is what consumers demand nowadays. Much of this will also be driven by cross border demand. **In other words: online will be the new normal for the FMCG industry, as it is for retailers already.**

INTRODUCTION

We believe that FMCG companies now have to become multichannel in the developed markets for another reason also. **As overall growth slows due to tough macroeconomic conditions, online will become an incremental sales driver. Customers will come to expect transactional online capabilities,** and if those are not offered they will simply turn elsewhere to the competition.

FMCG companies have four strategic options to go online. First, FMCG players can go for a **comprehensive proposition, vertically integrating their operations including the running of physical flagship stores supported by transactional sites.**

Second, they can **outsource their online operations. Third,** they can run their own brand or company based **transactional websites. The fourth strategic option – and perhaps the best solution - is the marketplace option.** A marketplace is a platform provided by a third party that guarantees wide customer reach. It also reflects the reality of how consumers shop for groceries online, they need an aggregator to be able to shop all their groceries in one place. Moreover a **marketplace operation allows FMCG companies complete control over prices, ranges, discounts, coupons and promotions.**

If the marketplace focuses on FMCG products, the leading FMCG players could come to an arrangement, where the industry runs the marketplace operations via a third party. This independent, third party player could establish firewalls concerning confidential information between competitors. Such a marketplace, if properly set up, would create a powerful tool to combat the online grocers and the private label threat.

We would urge the FMCG industry to act now, before the competitive advantage players such as Amazon have built up with their marketplace operations is becoming impossible to bridge. The demand to act becomes especially acute, as the leading retailers are now also expanding into the marketplace space such as Otto in Germany, Tesco in the UK and Carrefour in France.

FMCG GOING MULTICHANNEL

Analysis provided by Europe's premier experts on online retailing, strategy and insights, based on in depth conversations with key executives in the industry.

The report focuses on

- FMCG strategic business model options to exploit the online opportunity, with real live case examples.
- How FMCG are going multichannel, taking a leaf out of non food consumer goods companies' book to go fishing where the fish are
- Mobile shopping walls: the arrival of m-commerce, innovative online/offline hybrid models.
- Consumers as drivers of change, demanding multichannel capabilities and m-commerce linking off and online worlds.
- The emergence of click & collect as an incremental sales driver
- Online data revolution and how cutting edge companies exploit the potential of the internet for future growth, leading to a structural shift in retailing. Discusses whether current FMCG sites are market research projects or a genuine sales drivers.
- Explains the significance of online FMCG marketplaces in terms of sales contribution and sales growth driver, data warehouse, range multiplier
- Sets out our view that marketplace operations are most suitable to FMCG shoppers' needs,
- In depth profiles of leading marketplace operators in the FMCG space, Amazon, Alice.com and Rakuten, also discusses marketplace ventures by Carrefour, Ocado and Wal-Mart
- **Spells out the enormous advantages and benefits third party marketplace operators (such as Amazon) enjoy from offering the solution to sellers**
- **Provides an answer to the question whether the industry should run a proprietary scheme** and what to look out for when setting up a FMCG marketplace with a variety of corporate partners

FIND OUT...

- About FMCG companies launching comprehensive 360° offers and vertical integration efforts
- About FMCG transactional websites following two distinct approaches
- How to create online loyalty through direct B2C relationship building, reaching true brand loyals
- The Marketplace option: aggregator function reflects how consumers shop groceries online. Control over brands, prices, promotions remains with FMCG Players

Features detailed step by step recommendations:

- Do and don'ts of virtual walls
- Target the replacement cycle for dry grocery products, automatic deliveries, stored shopping lists
- Supporting brands in a channel agnostic way, fighting private label

BENEFITS

This report allows you to

- Benchmark your online strategy against leading, cutting edge operators
- Find out whether it makes sense to partner or to compete with Amazon, Alice.com, Rakuten or any other marketplace operator
- Understand how to copy the best in class strategies of winning online operators such as ecosystem development and loyalty driver creation

KEY QUESTIONS ANSWERED

- Should FMCG players have a transactional online presence? What are the latest developments?
- What are the advantages and disadvantages of running a transactional site?
- Should it be based around a single brand or encompass all the company's brands?
- Are QR code walls a marketing gimmick or a sign of things to come?
- What are the benefits of becoming a seller on a marketplace platform?
- What are the benefits third party marketplace operators (such as Amazon) enjoy from offering the solution to sellers?
- Does it make more sense to partner or to compete with Amazon, Alice.com, Rakuten or any other marketplace operator?
- Should the industry run a proprietary scheme and what should players look out for when setting up a FMCG marketplace with a variety of corporate partners?

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TESTIMONIALS AND CLIENTS

«I found it very insightful. [...] Impressed with the amount of information that has been covered by your report.» (Retail merchandising company)

«I found the document easy to read, well laid out and the content thought-provoking. It reminds me of the major considerations that affect our markets, and to address these key issues when approaching the global brands and retailers. Retail Predictions 2011 is a very good demonstration of the quality of how ResearchFarm operates and communicates.» (Technology supplier)

«The content is very interesting to us, as we look after many of the largest shopping centres and we also represent many international retailers entering our market. There is plenty of food for thought.» (Property consultants)

«It looks impressive.» (Property company)

«It was helpful. It helped me to persuade my boss to take on a project about e-commerce research. I was really surprised by the importance of legal issues. I never read that elsewhere before.» (Government)

«Thank you again for the study. These are very, very interesting, well explained (so, logical) predictions. Highly reliable and useful (I like the idea very much that loyalty schemes will move onto smart-phones). It's quite impressive!» (Publishing group)

«Great research, very useful.» (Retailer)

«We have enjoyed reading your research information and have found it to be helpful in validating some of the other Grocery industry news information and predictions.» (Retailer)

«On DLF's (Danish Association of Fast Moving Consumer Goods Manufacturers) New Years Conference on the 20th of January 2011 we had the great pleasure to hear ResearchFarm speak about future trends in online grocery retailing. The feed back from the conference participants was very positive as they gave ResearchFarm's presentation the highest score of all speakers, finding the analysis about the key success factors of chosen EU and US online retailers both very interesting and inspiring. We can therefore give ResearchFarm our best recommendation.»

Dagligvareleverandørerne – Danish Association of Fast Moving Consumer Goods Manufacturers

THEY TRUST US

Retailers



Manufacturers



Other



OUR METHODOLOGY

LAY THE GROUND FOR NEW GROWTH!

Researchfarm strives to deliver a starting point for constructive discussions and provide clear solutions and direction.

Our in depth observations of fundamental changes combined with our strategic insights into the sector and our entrepreneurial thinking provide unrivalled, actionable and meaningful solutions.

Our recommendations will enable you to formulate new strategies, head for the right milestones, drive future growth and set the right incentives.

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3. INTERVIEWS WITH KEY PEOPLE

The report is based on in depth conversation with business leaders, CEOs and CRM specialists.



ABOUT RESEARCHFARM

ResearchFarm is a start up boutique focused on strategic insight and innovative topics and trends in the FMCG/retail space. A key word for us is innovation. We try to unearth what works and what doesn't and tell our audience about it. For us the client comes first, as such we are focused on the story to tell, sharing insight and analysis, not on getting our names in the media – though we will engage in this as well occasionally.

SAMPLE PAGES



How Cutting Edge Retailers Exploit The Internet For Their Offline Operations

Mobile Shopping Walls: P&G And Mall.Cz In Prague



A third player who has been experimenting with these kind of developments is **Procter & Gamble in the Czech Republic**. Together with mall.cz, an online only operator and one of the Czech Republic's biggest, P&G have also started to put posters up with P&G products in subway station in Prague, offering customers the possibility to buy P&G products online, whilst on the commute and waiting for their trains via their mobile phones. P&G has started the trial in four stations around the Czech city. Consumers capture QR codes for whichever items they want to purchase, and the orders will then be submitted to mall.cz. Consumers will then receive a message to confirm a delivery time, while waiting for the next train. Shoppers receive free second day deliveries of their products.

The virtual P&G stores is stocked with the company's own products including Ariel detergent, GilletteVenus razors, Old Spice deodorant and Pantene shampoo. Other products included are Bonux, Dreft, Lenor, Jar, Pampers, Wella PS, H&S, and Gillette Fusion ProGlide. A few other products such as small electronics and toys will also be added in the run-up to Christmas.

Apple iOS and Android phone users can download the free app for ordering, while other phones may require a QR code scanner. The virtual drugstore will be available to Czech consumers until the end of 2011. P&G products have a 90% share of virtual shelf space in the first month.

Mobile Shopping Wall



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The more efficient, different use of retail space is also demonstrated by the bifurcation between using traditional flagship stores to support the brand (Apple, M&M, Nike etc) and new innovative online hybrid forms appearing in the physical retail space, such as Tesco's online grocery QR code wall in a subway station in Korea, which is now being copied by other players in the EU.

Tesco's Korean operation operates under the Home Plus brand. In Korea busy commuters can now shop their groceries online, whilst waiting for their trains on the subway platform. Tesco have put up pictures of grocery items with QR codes on to posters on the walls. Customers direct the lenses of their smart phones over the barcode or image and through their apps are directed to the Tesco website and

the specific product, where they can buy online groceries directly and arrange for delivery time. Provided orders are placed before 13:00 local time, goods will be delivered to homes the same evening.

According to the company, during the campaign, online registrations increased 76% and online sales increased 130%. As a result, Home Plus moved to number 1 spot in online grocery sales in Korea. Commuters could initially scan the barcodes of over 500 popular products using the Homeplus app.

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