

Global Consumer Insights Survey 2018

New business models in the e-commerce era



2017 was the year that many retailers came to terms with the rise of online commerce. One-time giants such as Toys ‘R’ Us, Radio Shack, and The Limited declared bankruptcy. Even exceptions to the retail crisis, such as Walmart, gained largely on the basis of booming online sales—in this case its acquisition of Jet.com and other digitally-focused retailers such as Shoebuy, Hayneedle, and Bonobos. US retailers are especially vulnerable, as the country has twice the retail space as other nations.¹ Even one of the world’s leading fast-fashion companies, H&M, announced store closures in late 2017 to adjust to consumers’ channel shifts.

Yet retailers of all stripes can still prosper, as e-commerce still represents under 15% of global B2C commerce. The key is identify two to three competitive advantages that can provide the same sort of seamless types of interactions experienced online.

Making room for other business models

Amazon is, understandably, often used as a proxy for online consumer shopping habits. PwC’s latest Global Consumer Insights Survey, conducted in summer and fall of 2017, found that 59% of respondents shopped at Amazon or its Chinese equivalents, online retailers JD



Yet retailers of all stripes can still prosper, as e-commerce still represents under 15% of global B2C commerce...

and Alibaba's TMALL (see Figure 1 on the next page). But the fact remains that just 4% of total retail sales go through Amazon's platforms.² Indeed, online sales is far from a zero-sum game; the way that Amazon popularised online sales has bolstered the annual online sales growth of many traditional retailers.³ In addition, other e-commerce giants, such as JD and TMALL, are just as dominant in their markets.

Room for other business models

Although the big names in e-commerce are cornering the market for efficiently sold, good-quality, commodity products, manufacturers and retailers have plenty of room to develop business models round differentiation, with personalisation, novelty, and a rich—not just convenient—buying experience. Europe's online fashion e-commerce platform Zalando is a great example of a retailer that provides a unique, rich, and convenient shopping experience.

Cloud-computing, while not a retail business, is instructive. Amazon got a big head start here with Amazon Web Services (AWS), and it still has the largest market share. But Google, Microsoft, Salesforce, and Oracle have also grown substantially there with strong margins. That's

because they've gone beyond the basic AWS service and are offering premium packages with lots of hand-holding. There's room for both approaches.⁴

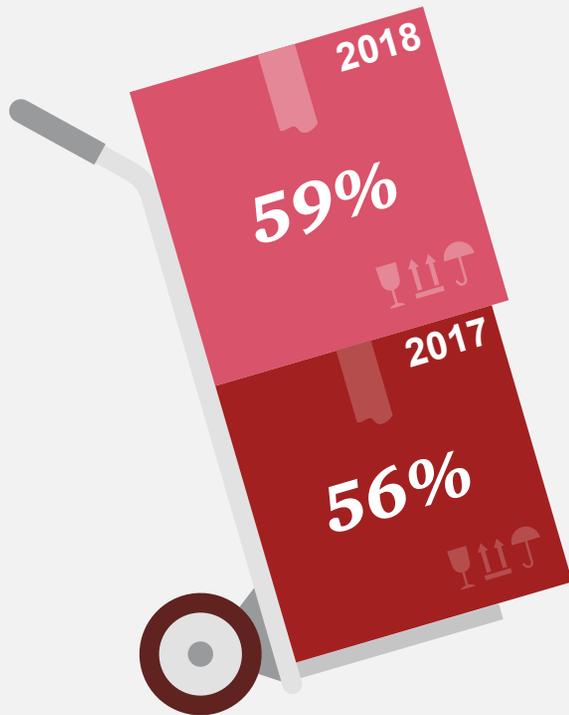
Likewise, Boxed.com differentiates itself by offering bulk-size consumer packaged goods specifically to customers who'd rather not drive to warehouse stores. One can buy the same products through other e-commerce channels, but Boxed.com charges less because it has a much narrower selection. Boxed.com sells to businesses as well, such as airlines that need a convenient way to order in bulk.

Some retailers invent entirely new business models to compete with the e-commerce titans. For example, in Germany, several retailers, including Kilenda, Otto and Tchibo, have launched rental services for baby and children's clothes—the sharing economy applied to a new product category and customer segment.

Getting back to physical retailers, look again at those premium brands. Through its third parties, Amazon offers Nike Air Max Torch running shoes and Louis Vuitton Neverfull handbags. But the brands' preferred channel for their coolest new stuff is not the e-commerce giants. Increasingly at Nike, for example, the hottest products are reserved for the company's own direct-to-consumer channels, both in-store and virtual.

59%
*of respondents
shopped at Amazon,
or its Chinese equivalents,
online retailers JD and
Alibaba's TMALL.
But the fact remains
that just 4% of total
retail sales go through
Amazon's platforms.*

Figure 1: The age of Amazon continues
More consumers shopping at Amazon



Q: Do you shop with Amazon?
 Base: 2018: 22,480, 2017: 24,471
 Source: PwC, Global Consumer Insights Survey, 2018
 Note: Respondents in China were asked these questions in relation to JD/Tmail and JD Plus

And more 'Amazon only' shoppers on the rise



Q: How has shopping with Amazon influenced your shopping behaviour?
 Base: 2018: 13,234, 2017: 13,675
 Source: PwC, Global Consumer Insights Survey, 2018

A number of retailers are trying to compete by finding the sweet spot between their physical and digital presences. RH (formerly Restoration Hardware) 'Nordstrom Local' in West Hollywood, and Sephora⁵, for example, have transformed their stores into elaborate, curated showrooms to draw in buyers and stimulate their imagination. With improved logistics, they've been able



to dramatically reduce inventory and ship purchases from warehouses, so the capital investment are not as much as might appear. Other retailers, such as apparel seller Dover Street Market, have emphasised curation from the beginning.

Traditional retailers also have an advantage that big e-commerce pure players don't: a human salesperson. From our survey, just half of respondents say they are satisfied with sales associates' deep knowledge of the product range, so there is clearly room for improvement. That means investing in engaging, informative salespeople. And many product categories lend themselves to companion offerings that can enrich the shopping experience and even turn it into a social draw with friends. Lululemon, which sells athletic apparel, offers yoga classes, while Nordstrom is trying out wine bars to attract affluent shoppers.

After all, the current profound changes in retail are not because people have actually stopped going to bricks-and-mortar. Our survey found a pretty consistent desire for the

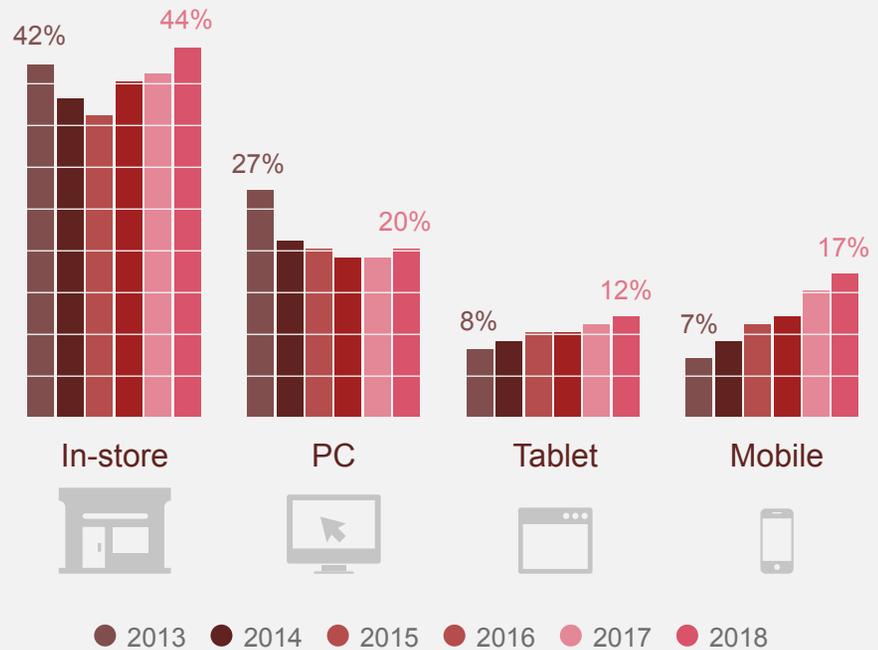
For all of the headlines about the rise and rise of e-shopping, the truth is that consumers still regularly visit brick-and-mortar stores.

physical store experience. The percentage of shoppers who visit a physical store at least weekly fell from 42% in 2013 to 36% in 2015, but since then has bounced back, all the way to 44% in this year's survey (see Figure 2). So the retail goal has to be captivating consumers with a sensory and social experience that draws them into buying from the store.

Manufacturers can get in the act as well. A growing number of producers are acquiring or partnering with direct-to-consumer sites, such as Unilever with the Dollar Shave Club, Target with Harry's shaving products and Casper mattresses, and Campbell Soup with Chef'D. This is especially important for manufacturers looking to control the buying and user experience with a dedicated platform.

For all of the headlines about the rise of e-shopping, the truth is that consumers still regularly visit brick-and-mortar stores. There is still all kinds of opportunity to experiment with—and thrive with—new business models. Companies that adjust their offerings accordingly can still prosper.

Figure 2: The six year reflection: store resiliency and the rise of mobile



Q. How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels?

Base: 22,481 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018



Sources

- 1 Thompson, Derek, "What in the World is Causing the Retail Meltdown of 2017," *The Atlantic*, 10 April 2017, <https://www.theatlantic.com/business/archive/2017/04/retail-meltdown-of-2017/522384/>
- 2 One Click Retail, "Amazon Year in Review," 3 January 2018, <http://oneclickretail.com/amazon-year-in-review-the-5-biggest-trends-of-2017/>
- 3 Zaczekiewicz, Arthur, "Amazon, Wal-Mart and Apple Top List of Biggest E-commerce Retailers", *WWD*, 7 April 2017, <http://wwd.com/business-news/business-features/amazon-wal-mart-apple-biggest-e-commerce-retailers-10862796/>
- 4 "Mims, Christopher, "The Limits of Amazon," *The Wall Street Journal*, 1 January 2018, <https://www.wsj.com/articles/the-limits-of-amazon-1514808002>
- 5 LVMH website, 30 January 2018, <https://www.lvmh.com/news-documents/news/sephora-rolls-out-new-sephora-experience-connected-store-concept/>

Key contacts around the world

Global Consumer Markets Leader

John Maxwell
T: +1 646 471 3728
E: john.g.maxwell@pwc.com

Australia

Chris Paxton
T: +61 2 8266 2903
E: chris.paxton@pwc.com

Belgium

Filip Lozie
T: +32 3 259 3348
E: filip.lozie@pwc.com

Brazil

Ricardo Neves
T: +55 11 3574 3577
E: ricardo.neves@pwc.com

Canada

Sonia Boisvert
T: +1 514 205 5312
E: sonia.boisvert@pwc.com

China and Hong Kong

Michael Cheng
T: +825 2289 1033
E: michael.wy.cheng@hk.pwc.com

Kevin Wang

T: +86 (21) 2323 3715
E: kevin.wang@cn.pwc.com

France

Sabine Durand-Hayes
T: +33 (1) 56 57 85 29
E: sabine.durand@pwc.com

Germany

Gerd Bovensiepen
T: +49 211 981 2939
E: g.bovensiepen@pwc.com

Hungary

Peter Biczo
T: +36 (1) 461 9235
E: peter.biczo@pwc.com

Ireland

John Dillon
T: +353 (0) 1 7926415
E: john.p.dillon@ie.pwc.com

Italy

Elena Cogliati
T: +39 (2) 7785 567
E: elena.cogliati@pwc.com

Japan

Haruhiko Yahagi
T: +81 (70) 1530 6481
E: haruhiko.h.yahagi@pwc.com

Middle East

Norma Taki
T: +971 (4) 304 3571
E: norma.taki@pwc.com

Netherlands

Shana Laurie de Hernandez
T: +31 88 792 5029
E: shana.laurie@pwc.com

Poland

Krzysztof Badowski
T: +48 22 742 6716
E: krzysztof.badowski@pwc.com

Russia

Martijn Peeters
T: +7 495 967 6144
E: martijn.peeters@pwc.com

South Africa

Anton Hugo
T: +27 21 529 2008
E: anton.hugo@pwc.com

Southeast Asia

Charles KS Loh
T: +65 6236 3328
E: charles.ks.loh@sg.pwc.com

Spain

Roberto Fernandez Humada
T: +34 915 685 178
E: roberto.fernandez.humanada@es.pwc.com

Alvaro Moral

T: +34 915 685 069
E: alvaro.moral@es.pwc.com

Sweden

Peter Malmgren
T: +46 (0) 723 530020
E: peter.malmgren@pwc.com

UK

Lisa Hooker
T: +44 20 721 31172
E: lisa.j.hooker@pwc.com

US

Steve Barr
T: +1 415 498 5190
E: steven.j.barr@pwc.com

About PwC's Global Consumer Insights Survey

Since 2010, PwC has annually surveyed thousands of consumers around the globe to track shopping behaviour, and then chronicled these findings in various global reports on the future of retail under the "Total Retail" banner.

This year we decided that a new umbrella term for our findings was warranted: PwC's Global Consumer Insights Survey. We want to acknowledge that the once bright lines demarcating retailers, manufacturers, technology companies, logistics service providers, and healthcare organisations are becoming more and more obscured as consumers are more open than ever to non-traditional solutions.

www.pwc.com/consumerinsights

Project direction

Mike Brewster

Claire-Louise Moore,
PwC Research

Lisa An

Ciara Campbell,
PwC Research

Core research team

Denise Dahloff, *Research Director*
Baker Retailing Center at the Wharton
School of the University of Pennsylvania

Simon Bender

Irena Cerovina

Esther Mak

Bénédicte Mat

Owen McFeely

Krystin Weseman