SWIPE TO BUY

HOW TO CAPTURE TOMORROW’S ONLINE BRAND LOYALISTS

nielsen
Believe the hype. FMCG e-commerce is exploding. Right. Now.

But, understanding “right now” isn’t enough anymore, is it? We need to see what’s next. I’m lucky enough to work closely with scientists of all stripes (Nielsen data scientists, measurement scientists, psychologists), who are devoted to getting the industry the right data that will get them there.

So, what’s around the corner in this new world?

One big thing will be reshaping consumers’ actual online experience around their online behavior. Eighty percent of FMCG online shoppers are looking for a re-design of the digital shopping environment to accommodate their desire for convenience, and 74% cite an overall good experience as a must.

What’s also important to keep in mind as the online and in-store worlds continue to blend is that there are some fundamental differences between in-store and online shoppers’ needs and behaviors.

For example, in-store shoppers tend to check out a variety of goods and shopped an average of 3.2 in-store departments per trip in 2016. E-consumers, however, pretty much know exactly what they want to buy before they even get online. They’re interested in getting in, getting out and getting on with their lives, shopping in only 1.6 departments per online store visit in the same year.

In-store shoppers are also slightly more brand loyal than their online counterparts (70% vs. 65%, respectively), who are more committed to convenience and experience than they are to specific brands. The upside here is that consumers shop more by category online, presenting a big opportunity for brands and retailers to win share. Finding an unmet consumer need or a solution to a common consumer struggle (like paying too much for razors) will be more important—and more profitable—than ever.

But the real promise in digital retail is the chance to go “beyond the shelf” to build brand loyalty with consumers. It’s the first time that brands and retailers can fulfill consumers’ needs for convenience and an overall good experience along the entire path to purchase by including clear, helpful product information, ensuring there’s a place for customer reviews by product, easy checkout, simple returns, and quick responses to consumer feedback. Getting the experience right and building those relationships with consumers now will be vital to securing subscriptions and automatic fulfillment, which will very soon become the norm.

Check out the Swipe to Buy report for more insights into FMCG e-commerce and how companies can get consumers to swipe right on their products today to be ahead of the game tomorrow.
FINDING FMCG CONSUMERS ALONG THE NEW PATH TO PURCHASE

Today’s consumers don’t just go online, they live online. Even dating, arguably one of the most “analog” of human interactions, has gone digital, with millions of people connecting via mobile dating apps every day. So it should be no surprise that our buying behaviors are keeping pace with that reality.

Digital has long been touted as what’s next for brands and retail, and this digital-driven future is already being realized. While e-commerce sales hover under 10% of total retail quarterly sales, according to U.S. Census Bureau estimates, digital retail’s share increases every year. But this growth is not evenly spread across categories. Consumers today are comfortable buying everything from sneakers to mattresses online, but they’re not yet fully sold on buying fast-moving consumer goods (FMCG) online. The good news, however, is that seems to be changing—quickly.

Across many measures, all indicators suggest that consumers want to buy consumer goods online. Over just the past three years, consumer consideration of online commerce for FMCG has tripled¹. Over the next six months, consumers will be 23% more likely to buy fresh food online than they are today, a greater increase than in any other category of consumer goods².

¹Nielsen Category Shopping Fundamentals
²Nielsen Digital Shopping Fundamentals
Digital represents a huge opportunity for FMCG manufacturers and retailers, but it will also present a host of new challenges. Digital platforms give you unprecedented access to consumers—placing your brand or store directly in shoppers’ hands. However, they’re also fragmenting the path to purchase and making it harder for you to reach consumers efficiently.

The upside? The promise of e-commerce is not limited to any single type of player. People have come to expect that, with the right tools, the best product, service, brand, retailer or spouse is always just a swipe away. And all brands and retailers have an opportunity to not only find growth in this new world, they can also use the realities of digital retail to deepen their relationships with their consumers.

Part of this new digital reality is the wealth of data being created at every step on the path to purchase. And finding opportunities for success will require the right tools to decipher all that data. Using data and insights from our Shopper Essentials Suite—Digital Shopping Fundamentals, Category Shopping Fundamentals and Store Choice Drivers—we’re unpacking new digital behaviors along the shopper journey. We’ve identified three keys to help you unlock the door to digital retail success:

- **EXCEED CONSUMERS’ HEIGHTENED EXPECTATIONS**
- **PERSONALIZE THE EXPERIENCE**
- **BUILD CONNECTIONS WHILE BUILDING BASKETS**
EXCEED CONSUMERS’ HEIGHTENED EXPECTATIONS

Consumers increasingly know what they want when they shop, and the window for winning their business is narrowing—particularly online. In fact, consumers shop in half the number of departments online that they do in-store\(^3\). But that doesn’t mean that there’s a shrinking opportunity for your brand. Because shoppers are now more open to what brand, product or retailer might be the right one for them.

Across all categories, consumers are 5 percentage points less likely to have a specific brand in mind when shopping online versus in-store. That gap is even wider for some well-developed online categories like men’s shaving and snacks like nuts, seeds & trail mix, which has a 29-point gap between channels\(^4\).

And while online shoppers are less likely to plan purchases of specific brands, they’re more likely to plan by category line (vs. in-store). In fact, across the men’s shaving category, digital shoppers are three times more likely to plan their trips by category\(^3\). That means there’s a unique opportunity to win share online if you can just get consumers to swipe right on your brand or product.

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**MEN’S SHAVING PRODUCTS BRAND AND CATEGORY PLANNING**

<table>
<thead>
<tr>
<th>Brand Planned</th>
<th>Category Planned, Not Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Store: 73%</td>
<td>Online: 61%</td>
</tr>
<tr>
<td>In-Store: 9%</td>
<td>Online: 30%</td>
</tr>
</tbody>
</table>

IN CERTAIN CATEGORIES, CONSUMERS ARE THINKING LESS ABOUT BRAND AND MORE ABOUT CATEGORY WHEN SHOPPING ONLINE. IN THE MEN’S SHAVING PRODUCTS CATEGORY, CONSUMERS ARE 12 PERCENTAGE POINTS LESS LIKELY TO PLAN PURCHASES BY BRAND WHEN ONLINE VERSUS IN-STORE. HOWEVER, THEY’RE 21 PERCENTAGE POINTS MORE LIKELY TO PLAN BY CATEGORY LINE VERSUS IN-STORE.

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\(^3\)Nielsen Digital and Category Shopping Fundamentals | 2016 CPG  
\(^4\)Nielsen Digital Shopping Fundamentals | 2016 CPG
So how do you get shoppers to put your product in their virtual basket? You need to exceed their high expectations across their online experience.

Not surprisingly, price is the biggest driver for online orders, and this increasingly includes expectations of free shipping. Beyond price, however, consumers are almost equally as strongly motivated by the convenience and overall experience of shopping online. This creates space for retailers to stand out online. Consumers expect digital shopping to be time-saving and easy—the ordering process should be seamless. Three out of four consumers are motivated by the experience of online retail across factors like easy checkout, simple returns and helpful product information.
Getting online orders to consumers—quickly—is also an area where retailers can differentiate. Eighty-eight percent of digital orders are currently fulfilled using home delivery. And big online retailers are setting the bar high for e-commerce overall with short delivery times—the average consumer now expects delivery within 3.8 days.

**MILLENNIALS ARE ALWAYS FIRST TO MIND FOR ALL THINGS DIGITAL. BUT CONSUMERS OF ALL AGES ARE CHOOSING ONLINE RETAILERS BASED ON THE DIGITAL TOOLS THEY OFFER, LIKE COUPONS AND MOBILE APPS.**

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**MILLIONALS EXPECT EASY ACCESS TO DIGITAL RETAIL**

**DIGITAL TOOL UTILITY BY GENERATION**

- **RETAILER WEBSITE**: Millennials 125, Gen X 123, Boomers 124, Greatest Generation 110
- **EASE OF USE**: Millennials 121, Gen X 113, Boomers 104, Greatest Generation 92
- **MOBILE APP**: Millennials 117, Gen X 107, Boomers 88, Greatest Generation 64
- **DIGITAL COUPONS**: Millennials 108, Gen X 104, Boomers 95, Greatest Generation 85
- **DIGITAL SHOPPING LIST**: Millennials 69, Gen X 63, Boomers 57, Greatest Generation 47

Read as: Millennial shoppers are 25% more likely to be influenced by retailer websites when choosing where to buy than the average shopper.

Source: Nielsen Store Choice Drivers 2016
PERSONALIZE THE EXPERIENCE

While shoppers are open to a variety of brands online, they don’t want an endless digital shelf from which they have to choose a product. Product variety needs are among the least motivating factors for online shopping, compared with price and value, convenience and experience. Just over half (56%) of consumers are motivated by factors related to product variety, with appeals like finding ‘specialty items’ or ‘trying something new’ only resonating with 21% and 13% of online shoppers, respectively5.

Instead, consumers want curated and personalized research, as well as retail experiences that uncover the right product for them. The challenge of personalization, of course, is that there’s not just one type of online shopper. In fact, at the highest level, we have grouped online shoppers into seven different segments ranging from Digital Reluctants, who represent 23% of online shoppers and don’t yet trust e-commerce, to Digital Advocates, who despite representing just 15% of online shoppers, account for 25% of online trips6. Each segment represents millions of households and an even greater diversity of concerns and expectations that retailers need to manage.

5Nielsen Digital Shopping Fundamentals | 2016 CPG
6Nielsen 2016 U.S. Homescan Panel Digital Segmentation Survey
DIGITAL SHOPPER SEGMENTS

SHARE OF HOUSEHOLDS

<table>
<thead>
<tr>
<th>Segment</th>
<th>Technology Averse</th>
<th>Digital Reluctants</th>
<th>Grab &amp; Go</th>
<th>Non-Planners</th>
<th>Tech Savvy Value Seekers</th>
<th>Researchers</th>
<th>Digital Advocates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Households (%)</td>
<td>12%</td>
<td>23%</td>
<td>9%</td>
<td>12%</td>
<td>19%</td>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Low trust, low tech savvy
Low value seeking, low shopping enjoyment
Research-driven and tech savvy
Enjoy shopping

When we look at who is actually shopping online, there are really three of the shopper types who are driving a lot of the online spend—Grab & Go, Non-planners and Digital Advocates. The first two are all about the convenience of online shopping. Digital Advocates, on the other hand, love the experience of shopping online.

PRE-STORE INFLUENCERS

<table>
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<th>Researchers</th>
<th>Digital Advocates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
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<td>119</td>
<td>129</td>
<td>76</td>
<td>93</td>
<td>82</td>
<td>57</td>
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<tr>
<td>Retail Website</td>
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<td>82</td>
<td>80</td>
<td>90</td>
<td>87</td>
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<tr>
<td>Mobile App</td>
<td>111</td>
<td>78</td>
<td>70</td>
<td>58</td>
<td>58</td>
<td>57</td>
<td>29</td>
</tr>
</tbody>
</table>

Read as: Technology Averse shoppers are 5% more likely to be influenced by promotions before heading to the store than the average shopper.
Source: Nielsen Digital Shopping Fundamentals | 2016 CPG

So how do you activate the other buyer types? Researchers are always on the hunt for the best products and are influenced by promotion. On the other hand, Value Seekers want mobile apps (brands might want to consider launching app install campaigns for these consumers). At the reluctant end of the spectrum, Tech Averse consumers decide what to buy on retail websites.

So, when thinking about what digital tools you’re using to reach these consumers, one size does not fit all, and you really need to think about how needs and expectations differ for each of your consumers. These seven different segments represent millions of individual consumers with unique needs, so it helps to go deeper.
Companies should keep in mind that within each of these segments, consumer expectations will vary across ethnicities, generations, regions and any other possible proxy of consumer identity and intentions. For example, multicultural households use digital tools along the path to purchase more than average households almost across the board. Hispanic households are 89% more likely than average to be influenced by social media, and African-American households are 47% more likely to be influenced by online reviews (the highest of any ethnicity for each type of media).\(^7\)

Looking at segments by geography, urban dwellers are 52% more likely to purchase food items online as compared to consumers in rural areas.\(^8\) And while Boomers are still motivated by grocery selection when deciding where to buy (10% more than the average consumer), Millennials are 88% more likely to be motivated by digital tools.\(^9\)

Digital retail enables brands to develop an individualized understanding of their shoppers, at scale. And, as consumer relationships develop on digital platforms, retailers have the opportunity to really listen to the needs of the shopper and improve the personalized relevance of the next interaction.

\(^8\)The Harris Poll® of 1,995 U.S. adults aged 18+ surveyed online between June 17 and 21, 2016
\(^9\)Nielsen Store Choice Drivers 2016
BUILD CONNECTIONS WHILE BUILDING BASKETS

Of course, digital retail also extends the opportunity to engage and influence purchases beyond the shelf—digital or otherwise. Over the last three years, the number of households that both research and purchase grocery items online has grown 35%, while the number of households just researching and not making purchases have stayed flat and declined, respectively. So the key to finding growth in online grocery retail is via engagement across the entire path to purchase, not just winning at the shelf.

Building these relationships “beyond the shelf” will become increasingly important as more digital retail moves to subscriptions and even beyond to the technologically and algorithmically automated replenishment services of the not-too-distant future. Today, 18% of online orders are bought as part of a subscription, across food and non-food categories like shaving, snacks, diapers and meal kits¹⁰. In these instances, the decision of what brand and product a consumer will buy is made long before the order is placed. So, taking the opportunity to influence that decision comes from engaging with that consumer long before she may have even known she needed to buy something. So, if not at the shelf, where can this occur?

¹⁰Nielsen Digital Shopping Fundamentals | 2016 CPG
Not surprisingly, consumers are flocking to social media platforms in an effort to educate themselves what they should buy. In fact, when looking to share health and wellness information, one in three consumers heads to Instagram and one in four uses Pinterest, with both platforms seeing surges in usage over the last three years. Perhaps more interestingly, both platforms are built on highly visual and experiential media, offering retailers and brands the opportunity to create richer engagement.

And that is the real promise of digital retail. Never before have we had the ability to engage so richly upstream in the path to purchase and connect that more seamlessly in downstream engagements at the shelf.

Nielsen two week online survey (April 2016) of 1176 respondents - chg vs. 2014
METHODOLOGY

The Nielsen Shopper Essentials Suite combines primary research with advanced analytics (using Nielsen’s syndicated datasets) to define whom to target, where to influence and what tactics to use to improve sales performance and create loyal shoppers. The suite of solutions integrates Category Shopping Fundamentals, Store Choice Drivers and Digital Shopping Fundamentals to provide a holistic view of the shopper to understand how purchase decisions are made along the path to purchase, why shoppers love the stores that they choose and how e-commerce integrates into that mix. Combining data from approximately 100,000 purchases across hundreds of categories by roughly 75,000 shoppers across hundreds of categories and retailers, the Nielsen Shopper Essentials Suite provides an unparalleled view of the total consumer.
ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen’s Watch segment provides media and advertising clients with Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry’s only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world’s population.

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