KPMG

The truth about online consumers

2017 Global Online Consumer Report

Foreword

Enabled by technology, the continued year over year growth in online shopping has been fueled by a new generation of consumers who want greater convenience, value and options. For consumer businesses, this trend poses both challenges and significant opportunities.

Competition is no longer limited to local shops during business hours. Consumers today are shopping all the time and everywhere; and in a truly global online marketplace, products can easily be purchased from retailers and manufacturers located anywhere in the world—or from those with no physical retail locations at all.

Consumer demand for richer experiences and greater convenience means that retailers need to rethink their strategy, both online and in stores. Having the right product mix is no longer sufficient to attract the new wave of consumers including Millennials, who are entirely focused on one transaction—theirs. Creating an online shopping experience enhanced by technology such as augmented and virtual reality or 3D is becoming at least as important as providing convenient and personalized ordering, payment and delivery options.

However, despite the rise of online shopping, ecommerce still makes up a relatively small percentage of total retail spending. Retailers' brick and mortar strategies also need to evolve to continue to draw customers into their stores, and to compete with the online retailers opening their own physical outlets. Increasingly, we are seeing innovative marketing strategies, as well as new technologies such as smart shelves, robots, self-checkout, and interactive and virtual reality, being deployed in stores as retailers strive to compete on all fronts.

Finding the 'right' strategy starts with one question: Given your brand promise, where do you want to compete? Only once a company understands their goals, customers and those customers' needs can an appropriate strategy be designed. And the key to a sustainable strategy is being able to understand and meet customer needs both today and tomorrow, across geographies, and across generations.

In this report, we aim to raise and answer some questions about your company's approach to ecommerce. Our global research on online consumer behaviors, preferences and attitudes can be leveraged by consumer companies seeking to improve their approach towards winning and retaining customers online.

I hope you find this report interesting and insightful. I would like to thank the survey respondents, company executives, and KPMG professionals who invested their time and insights to make this study possible.

To learn more about this research, please visit kpmg.com/onlineconsumers or contact a member of KPMG directly.

Sincerely,

Willy Kruh
Global Chair, Consumer Markets
KPMG International

In this report

How do companies target Millennials who no longer trust traditional advertising? How important are payment options in India? Which countries are most likely to buy from foreign websites? Where are consumers willing to buy groceries online? In this report we answer these and other questions that can help inform an online strategy that is more targeted, effective and customer-centric.

# Contents

What do consumers really want?

Advances in technology, logistics, payments and trust — coupled with increasing internet and mobile access and consumer demand for convenience — have created a US$1.9 trillion global online shopping arena, where millions of consumers no longer 'go' shopping, but literally 'are' shopping — at every moment and everywhere.

A recent report by KPMG International titled 'Seeking customer centricity through omni business models'[1], looked at how consumer and retail businesses are transforming to adapt to the shift from traditional shop-centric business models to a new world where the customer is increasingly at the center of a perpetual shopping experience. In this 'customer-centric' reality, retailers need to be exceptionally sensitive and responsive to when and where their potential customers are making purchase decisions (both consciously and subconsciously) throughout their 'always on' shopping journey.

## The dilemma

The burning question is, how can consumer and retail companies achieve this nirvana of consumer mindreading? How can they identify and keep pace with the behaviors and preferences of customers today and tomorrow? How can they ensure their online strategy is acutely tailored to attract and win the diverse and dynamic customer segments they serve?

[1] https://www.kpmg.com/cmsurvey
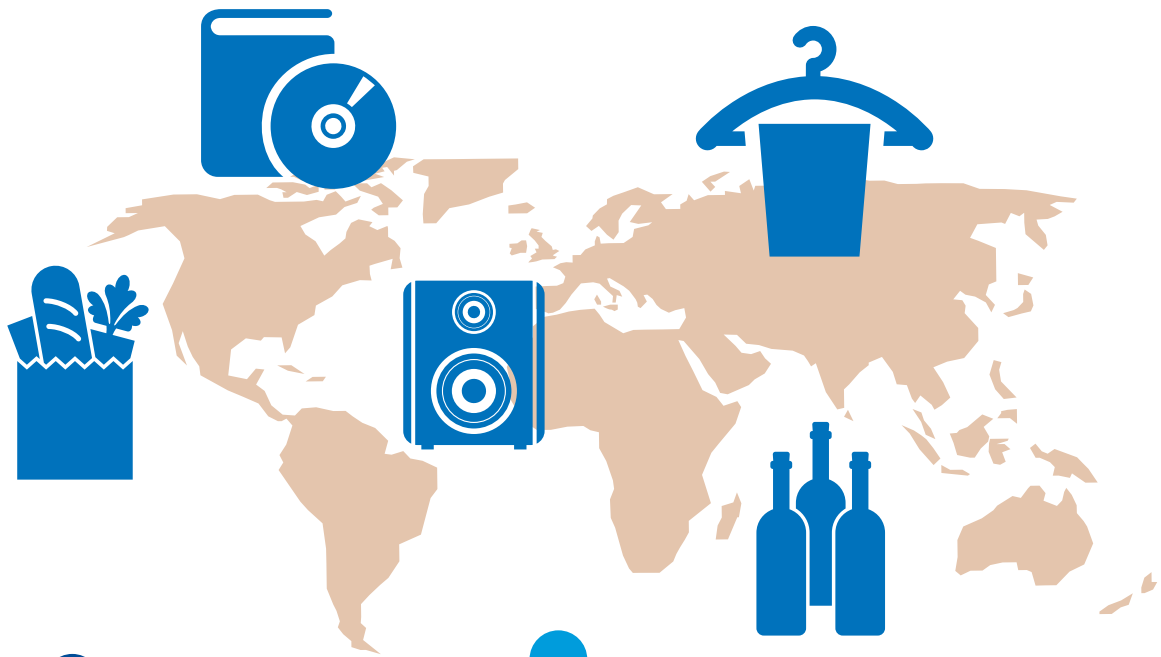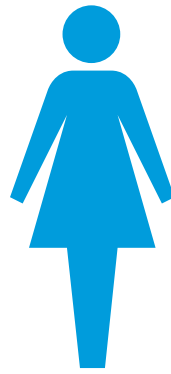
Baby Boomers	**Generation X**	**Millennials**
Born 1946-1965	Born 1966-1981	Born 1982-2001

What 18,430 consumers told us

During 2016, KPMG conducted an international study on consumer behaviors and preferences related to online shopping. The research was largely based on an online survey of 18,430 consumers living in more than 50 countries. The respondents were between the ages of 15 and 70, each having purchased at least one consumer product online in the past 12 months.

In addition to scrutinizing their online shopping behaviors, preferences, and decision processes, the study also explored consumers' plans for future online purchases, factors affecting trust and loyalty towards certain brands, and their sentiments and attitudes towards the companies that they do, or don't, choose to buy from.

The ultimate purpose of this research was to provide consumer goods and retail companies with the global and local insights into the specific behaviors and preferences of the customers they want to target. By understanding the uniqueness of different customer segments, companies can tailor their online strategies for maximum success.

The depth of the data collected for this study makes it possible for companies to analyze and forecast the behaviors and preferences of their customers by geography, generation (Millennials, Generation X or Baby Boomers) and/ or product category. The number of

ways to filter and classify the data is too copious to summarize in a single report, so in the following sections we provide an overview of the global results, highlighting the most significant or interesting trends and comparisons among the major demographic groups and product categories.

Executives interested in receiving more detailed insights are invited to contact KPMG to have a member of our team filter and analyze the full set of data according to your specific requirements or target markets.

Online purchase behavior

Survey respondents were required to have purchased at least one consumer product online in the past 12 months.

The digital age and rise of online shopping have driven an unprecedented business model shift for consumer product manufacturers and retailers. Many traditional consumer businesses and new start-ups alike are moving away from models that are shop-centric or geographically-focused, to ones that are customer-centric and virtually borderless. To help inform companies tackling this transformation, KPMG International's recent survey of 18,430 consumers provides a unique, comprehensive index of consumer online shopping behaviors and sentiments across countries, products and generations.

Online shopping as a rising trend

The frequency of online purchases varies considerably by geography. Consumers in Asia, North America and Western Europe are most likely to shop online, while per capita online purchases in Eastern Europe and Russia, Latin America, and the Middle East and Africa are less frequent (Figure 1.0).

A Generation X are the most active online shoppers

Among the different age groups, Generation X consumers (born between 1966 and 1981) made more online purchases last year than any other age group, averaging nearly 19 transactions per year. Interestingly, despite the common belief that the upswing in online shopping is largely driven by the younger and more 'tech-savvy' Millennials (born between 1982 and 2001), Generation X consumers in fact made 20 percent more purchases last year than their younger counterparts.

Stage of life and income levels are certainly primary factors driving both online and offline shopping, and Generation X consumers, many of which are more established in their careers and building homes

"There is a little Millennial in each of us. A number of Baby Boomers are starting to understand and appreciate the technology that is out there. They're also trying to appreciate and experience the convenience of buying online."

— **Mark Larson, Head of Consumer and Retail, KPMG in the US**

Figure 1.0

Average number of online
transactions (per person per year)

North America **19**

Latin America **9.2**

Western Europe **18.4**

Eastern Europe & Russia **11.9**

Africa & Middle East **11**

Asia **22.1**

Australia & New Zealand **16.1**

Baby Boomers **15.1**

Generation X **18.6**
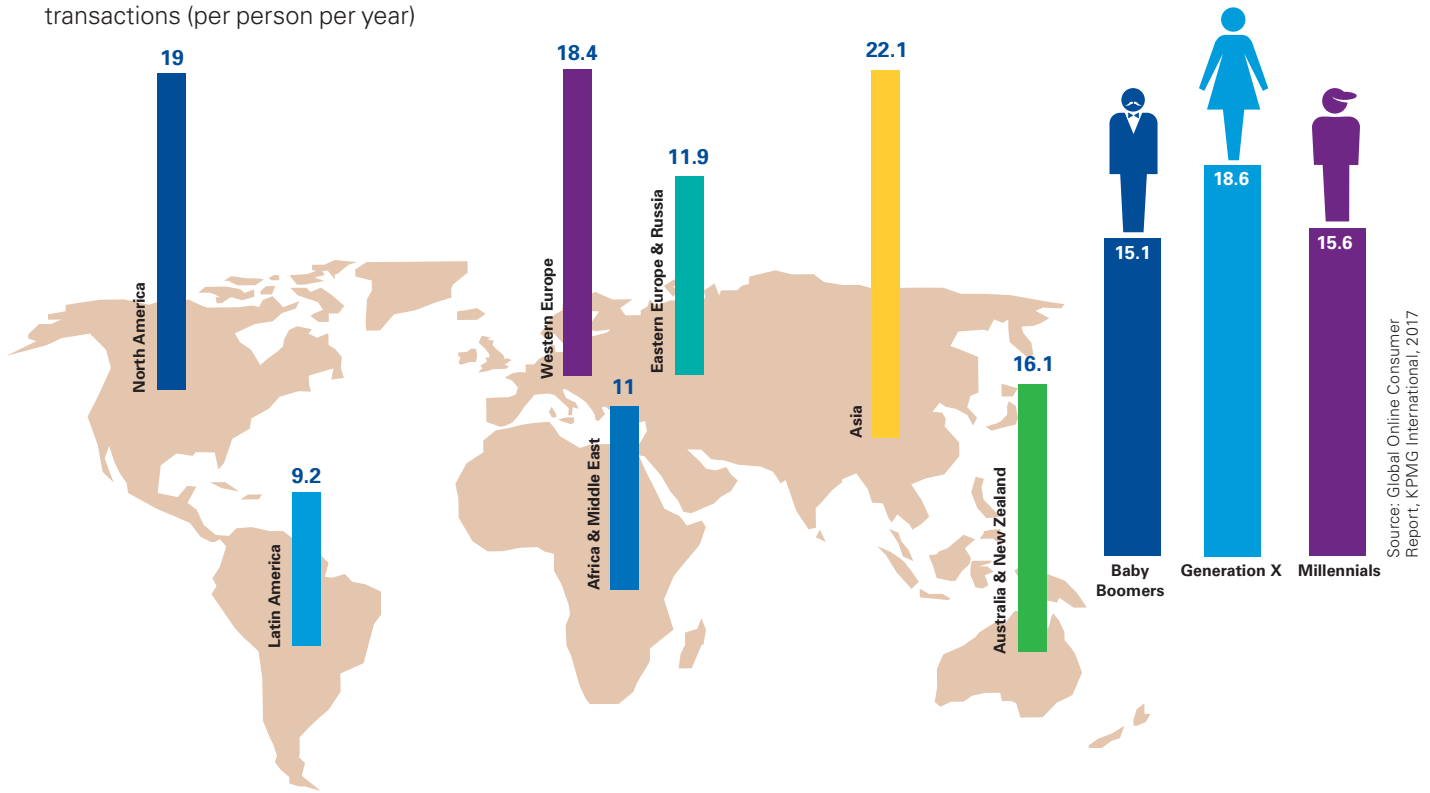
Millennials **15.6**

and families, are likely buying more consumer goods than the younger Millennials overall. As Millennials continue to enter the workforce and adopt new lifestyle priorities, however, their online shopping activity is expected to surge and even far surpass levels currently exhibited by older generations.

Don't underestimate the Baby Boomers

Compared to the digital-first Millennial generation, it is reasonable to presume that Baby Boomers (born between 1946 and 1965) are less inclined to shop online. However, the Baby Boomers surveyed in fact shopped online just as frequently as the Millennials. Furthermore, the Baby Boomers on average spent more per transaction than either of the two other younger generation groups (Figure 1.1). This

generation was more likely to buy healthcare products, wine, household goods and appliances, categories which tend to have higher price points.

Men spend more online than women

While men and women shopped with about equal frequencies, on average, the men spent more per transaction— US$220 vs. US$151 for women—on their most recent purchase. This can largely be attributed to the fact that the male consumers were more likely to buy items in higher priced categories such as luxury goods (55 percent of luxury transactions were by men) or electronics (72 percent of electronics transactions were by men), while women were more likely to buy in lower-priced categories such as cosmetics or food.

Figure 1.1

Average amount spent per transaction (USD)

Baby Boomers **$203**

Generation X **$190**

Millennials **$173**
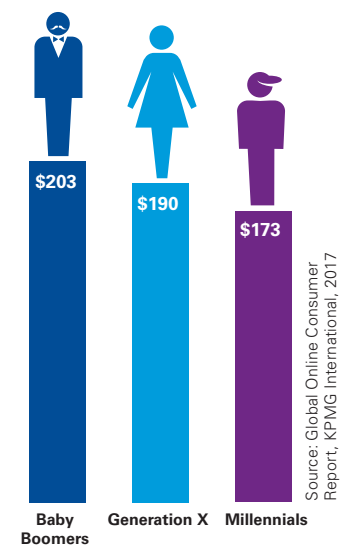
Product category trends

The online shopping landscape is gradually changing in terms of the types of products being bought online. Generally, consumers' planned online purchases indicated a year over year increase for most product categories (Figure 1.2). These results signal a higher willingness to buy new product categories online, particularly those more traditionally sold in shops. For example, greater options for shipping and delivery have made it easier and more common to buy bulkier products online—including furniture, appliances and even vehicles. Meanwhile, although 'easier to ship' products such as books, music, electronics, accessories and apparel remain the most popular online categories, relative growth in these segments is expected to be minimal.

In fact, we see a possible downward trend for books and music, currently the number one online category, as Millennials purchase these items online less often than the older generations. It will be worth watching this particular category over the next few years to see if Millennials'

preference for streaming[2] vs buying media continues to put downward pressure on online sales of books and music, since even as Millennials get older this is one area where buying habits are unlikely to change.

On the other hand, bigger items such as household goods and appliances, furniture, home décor and sporting goods show some of the highest growth potential. According to respondents' planned online purchases for the coming year, online sales of household goods and appliances are expected to increase by 3.5 percentage points, furniture and home décor by 4.3 points and sporting goods and equipment by 4.4 points. Telecom products and fragrances are categories that are also expected to grow, by 4.5 and 2.8 percentage points respectively, as are wine, liquor and art.

In general, growth categories tend to be those which do not need trial and/or where consumers can have relatively more faith in product quality.

Top online products by geography

In most countries, media, electronics, and apparel are among the 5 products most often purchased online.

Books and music

Electronics

Apparel

"Clearly, ecommerce has been growing globally across many 'usual suspect' categories like apparel, books, and music. But what we are now starting to see, and where we expect more growth, is from categories where showrooming often occurs, such as mobile phones and laptops, as well as furniture and decoration items. Even in the grocery retail market we see opportunities. Very few retailers get their online grocery model right, but when they do, it can be very successful. Winning companies in this segment have focused on Millennials and young professionals, where the focus on prepared fresh meals has been a growth driver."

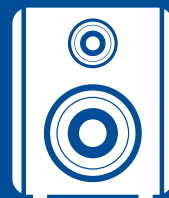**— Willy Kruh, Global Chair, Consumer Markets, KPMG International**

The following products were also among the top 5 in these geographies:
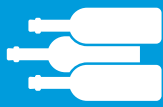
Wine
Australia and Belgium

Accessories
US, Indonesia and Turkey

Telecom products and men's footwear
India, Russia, and the UAE

Cosmetics
Asia-Pacific, Russia and CEE

Pharmacy and healthcare products
Brazil and Greece

Household goods
Africa and the Middle East

Groceries
UK and China

Sporting goods
Finland

Children's clothing, toys and games
France

Figure 1.2

Actual vs planned online purchases:
Last year vs next year

Growth in % points

Category	Past 12 months	Next 12 months	Growth
Books/Music	53	54	0.5
Electronics/computers/peripherals	47	47	(0.6)
Apparel – women	40	41	1.0
Household goods and appliances	36	39	3.5
Accessories	40	39	(1.0)
Apparel – men	34	36	2.3
Food/groceries	33	34	1.4
Toys/games/video games	29	31	1.7
Cosmetics/skin care	30	31	0.8
Furniture/home décor	26	31	4.3
Sporting goods/equipment	26	30	4.4
Shoes – women	27	29	2.0
Telecommunications/phones	23	27	4.5
Shoes – men	25	27	2.2
Apparel – children	22	23	0.8
Bags/leather goods	20	21	1.5
Perfume/cologne	18	21	2.8
Pharmacy/healthcare	20	21	1.6
Wine	15	17	2.7
Shoes – children	13	15	1.3
Fine jewelry/watches	12	13	0.7
Baby products	14	13	(1.0)
Eyewear	12	12	0.8
Pet food and supplies	11	12	1.0
Liquor	9	11	1.5
Beer	10	10	0.8
Artwork	5	6	1.1

■ Percentage that purchased the product in the past 12 months   ■ Percentage planning to purchase the product in the next 12 months

Figure 1.3

Expected category growth by generation: Percentage point difference between last year and next year
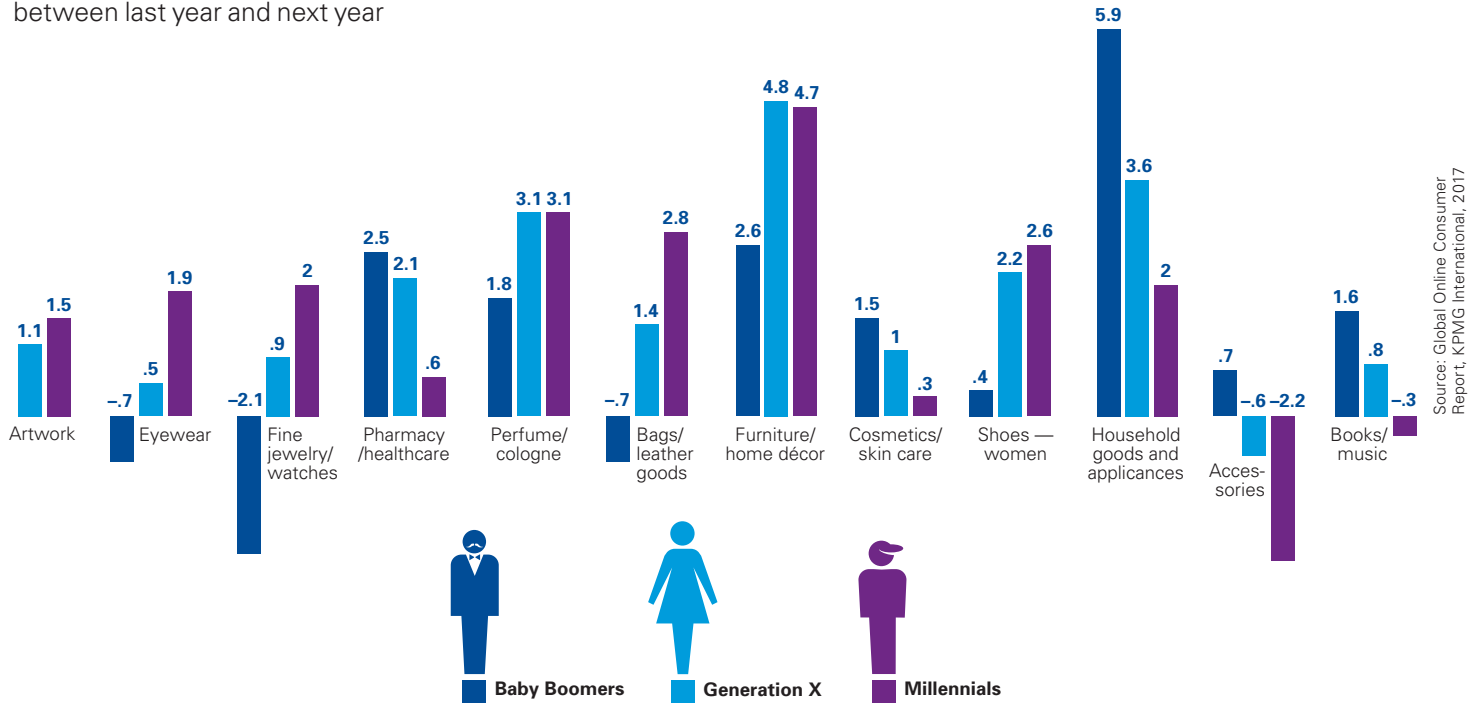
Generational trends — a closer look

When looking at differences by age group to spot trends, further analysis is required to determine when an apparent trend indicates sustainable future behavior, versus when it is simply due to a difference in age or income.

For example, contrary to the earlier example suggesting that media sales may continue to decline even as Millennials mature, the interpretation of this generation's similar lower tendency to buy a category such as household goods (Figure 1.3) is different. In this case, fewer household goods purchases by younger age groups is more likely due to the 'age effect' or 'cohort effect'[3], where behaviors are tied to age or stage of life rather than to lasting attitudes. In fact, as Millennials grow older, the potential for buying household goods online is probably quite strong.

Artwork is a small category in terms of the percentage of total consumers buying it online, however this category's online sales seem to be growing quickly among Millennials. As Millennials' interest in art, comfort with buying art online, and disposable incomes all grow, we see this as another category showing solid potential.

Rise of international trade and e-tailers

Cross-border shopping is on the rise globally, driving international retail trade. As part of this study we looked at the level and nature of online purchases made outside consumers' own countries.

"Much of the future growth in ecommerce will be millennial-driven. In 2 or 3 years, Millennials are forecasted to be the largest demographic in North America. As Millennials delay leaving their parents' house and delay getting married, they spend their money on other things. Brands like Uber and Apple, and the craft beer industry have all to some degree been ignited by Millennials. Grocery spending, on the other hand, has been eclipsed by restaurant spend. Millennials like to share meals with friends—it's all about shared experiences."

— Willy Kruh, Global Chair, Consumer Markets, KPMG International

[3] https://en.onpage.org/wiki/Cohort_Analysis

Figure 1.4

Percentage of online purchases
imported from other regions

North America **14**

Latin America **44**

Western Europe **15**

Eastern Europe & Russia **43**

Africa & Middle East **50**

Asia **21**

Australia & New Zealand **35**
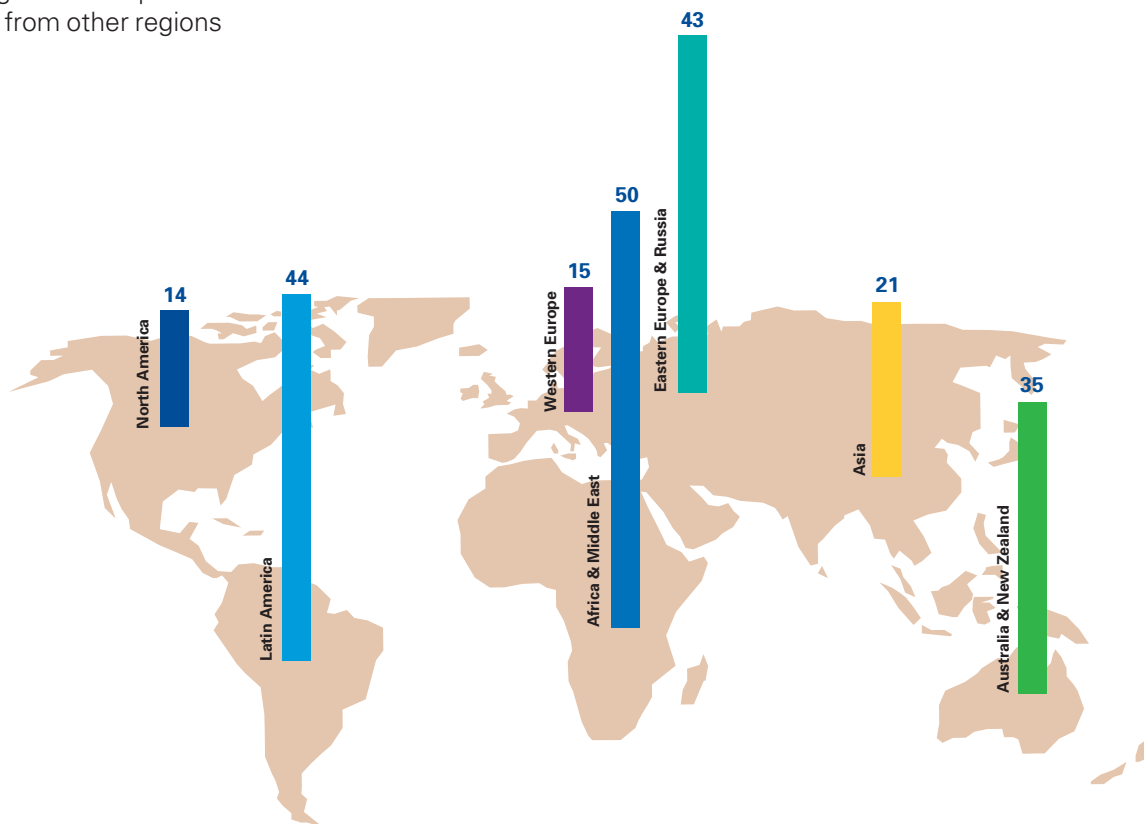
Figure 1.4 shows the percentage of online purchases that consumers made outside their own region. North American and European consumers made the fewest international purchases, 14 and 15 percent respectively of their total online purchases—not surprising given the maturity of these markets, where the most popular products can already be sourced domestically at competitive prices.

Asian consumers' imports averaged 21 percent—although it varied significantly by country. While Hong Kong, Singapore and Vietnam had significant imports at 31, 43 and 55 percent, respectively, of their online purchases, other countries such as Indonesia, Japan and India each imported only 12 percent or less of their online buys outside Asia. China, with 20 percent imports from outside Asia, lay somewhere in the middle.

In Australia and New Zealand, the percentage of online purchases imported from outside this region was 35 percent, with 25 percent of those imports from North America and Europe. The geographically more remote location of these countries is likely one of the key drivers.

The bottom three regions in Figure 1.4 are the markets most likely to make international purchases online. In Eastern Europe and Russia, 43 percent of all online purchases were imported, mainly from Asia (15 percent), Western Europe (13 percent) and North America (8 percent). In Latin America, 44 percent of online purchases were imported, with nearly 60 percent of those imports from North America. African and Middle Eastern consumers were the most likely to import consumer products bought

online (50 percent of purchases). This is particularly true in the UAE, where 58 percent of online purchases were imported—with 80 percent coming from Asia, North America and Western Europe.

In many countries, the tendency to buy internationally is highest among Millennials. This could indicate potential growth for cross-border online shopping as consumers increasingly seek unique or specialized products from other countries. In the US, for example, 15 percent of Millennials' recent purchases were imported, compared to 9 percent for Generation X and just 3 percent for Baby Boomers. It will be interesting to see how the new US administration's proposed focus on domestic protectionism might affect the trend for younger US consumers to shop outside the country.

Nespresso

Roger Staeheli, Country Manager, Hong Kong

Nespresso SA was founded by Nestlé 30 years ago, to introduce a revolutionary system of coffee machines and portioned encapsulated coffee. Initially in 1986, the company focused on the corporate offices market, and a few years later expanded to selling direct to consumers. Today, Nespresso's 450 retail boutiques can be found in 64 countries throughout the world. Nespresso's boutiques are an important branding and sales channel for the company, although the fastest-growing part of their business in some countries such as Hong Kong, is online.

Nespresso's omni-channel evolution

Roger Staeheli, Nespresso's Country Manager for Hong Kong, explains that Nespresso operates autonomously from Nestlé, due to its unique direct-to-consumer (B2C) model that requires the company to have their own sales channels. The company's four B2C channels include: retail boutiques, an online boutique, coffee machine trade points, and call centers called Customer Relationship Centers, where more than 1,000 coffee specialists offer support to Nespresso Club members.

Nespresso's sales channel evolution evolved in the opposite way than that of many similar long-standing retailers. After initially selling through its Customer Relationship Centers, Nespresso launched its Nespresso website in 1996, began to take orders online in 1998, and opened its first retail boutique in 2000 in the city of Paris.

According to Staeheli, this progression from online to retail shops was born out of necessity, rather than choice. "Thirty years ago, coffee that was sold at retailers was instant coffee. So we decided to retail our own products ourselves. We first established the call centers then evolved into different channels from there."

Staeheli says the goal today is to offer a consistent experience to customers across all channels, both offline and online. "It's about consistency in the product, price and promotion."

Integrated channels and customer relationships

The company is very clear on the role of each of its channels, he says. "Retail is very much about delivering the brand experience. Online is about Nespresso 'anytime, anywhere'. Trade is focused on machine sales and is a channel through which we can recruit new members. The Customer Relationship Center, which used to be a transactional channel, today is about building relationships."

Typically, new customers that are initially recruited through a Nespresso boutique, then become online customers. Subsequently, these customers are regularly invited back into the boutique or shop to try new coffee innovations to enable Nespresso to engage directly with them. Since in most cases, customers are also members of the Nespresso Club, the company is able to gain a good understanding of their individual customers' behaviors and preferences, therefore enabling them to tailor their marketing campaigns or offer customers personalized experiences.

Offline vs. online in Hong Kong

Despite the fast growth of Nespresso's online channel, Staeheli highlights the two main challenges to ecommerce in Hong Kong. "We want to offer our online customers greater convenience, but going out to the shops in Hong Kong is already very convenient, since most households are within five to ten minutes of a mall. So to better serve our online customers, we offer same-day delivery during a certain period of the day. The other challenge for Hong Kong then becomes the high cost of distribution."

"Overseas born Australians have been a contributing factor to ecommerce growth. In cities like Sydney, Melbourne and Brisbane with large percentages of overseas born nationals, consumers have always been comfortable buying goods online as it was often the only way to get the products they liked."

— Trent Duvall, Head of Consumer Markets, KPMG in Australia

E-tailers dominate the online marketplace

The rising power of e-tailers such as Taobao, Alibaba or Amazon, to name a few, is apparent around the world. Their dominance is particularly evident in China and India—where over 80 percent of online purchases were from e-tailers—as well as in Japan

(69 percent), Italy (68 percent) and South Africa (65 percent). The share for e-tailers in these countries is far above the global average of 50 percent.

A trend of younger consumers being less likely than Baby Boomers to buy from e-tailers could indicate a future slowdown in this platform's growth. Fifty-four percent of Baby Boomers,

who are less prone to shop around for price and who prefer to buy from familiar websites, made their most recent purchase from an e-tailer, compared to Millennials with e-tailer purchases at 48 percent. Conversely, Millennials were 30 percent more likely than the Baby Boomers to buy directly from a retail shop's website (Figure 1.5).

Figure 1.5

Where most recent purchase was made (%)

Legend:
- An online-only retailer
- Retailer's website
- Manufacturer or brand's website
- Other

North America: 5, 8, 42, 45
Latin America: 10, 16, 46, 29
Western Europe: 5, 11, 34, 51
Africa & Middle East: 5, 11, 28, 56
Eastern Europe & Russia: 12, 10, 33, 45
Asia: 5, 7, 18, 70
Australia & New Zealand: 10, 11, 43, 36

Baby Boomers: 6, 13, 27, 54
Generation X: 7, 10, 34, 50
Millennials: 6, 10, 35, 48
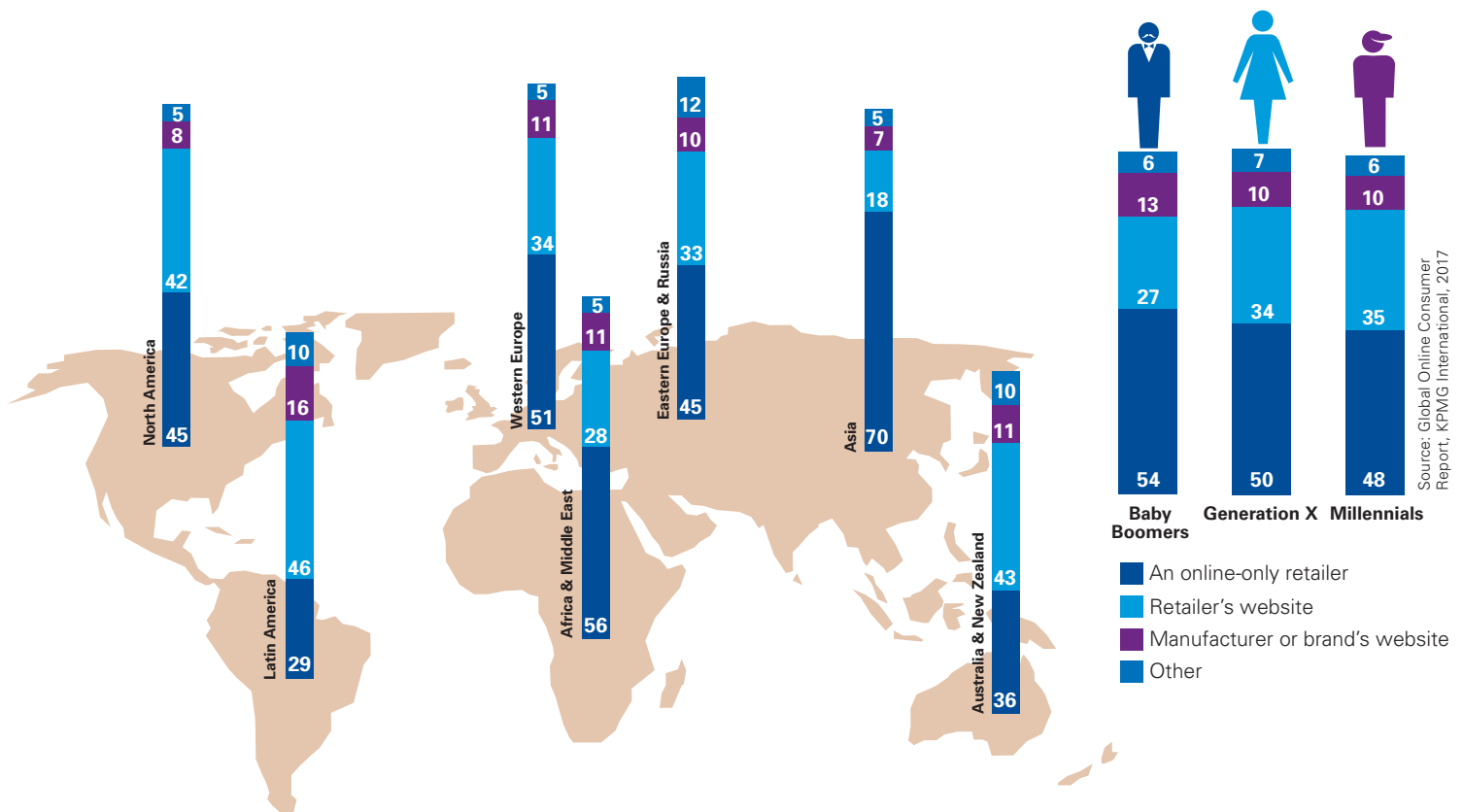
Figure 1.6

Preferred device for shopping online (%)

North America: 60 / 5 / 6 / 29

Latin America: 59 / 6 / 6 / 29

Western Europe: 59 / 5 / 10 / 27

Africa & Middle East: 63 / 6 / 7 / 24

Eastern Europe & Russia: 71 / 5 / 6 / 18

Asia: 48 / 19 / 8 / 25

Australia & New Zealand: 54 / 5 / 8 / 33

Baby Boomers: 67 / 4 / 10 / 20

Generation X: 55 / 8 / 9 / 28

Millennials: 54 / 11 / 6 / 29

Legend:
- Laptop or PC
- Smartphone
- Tablet
- No preference
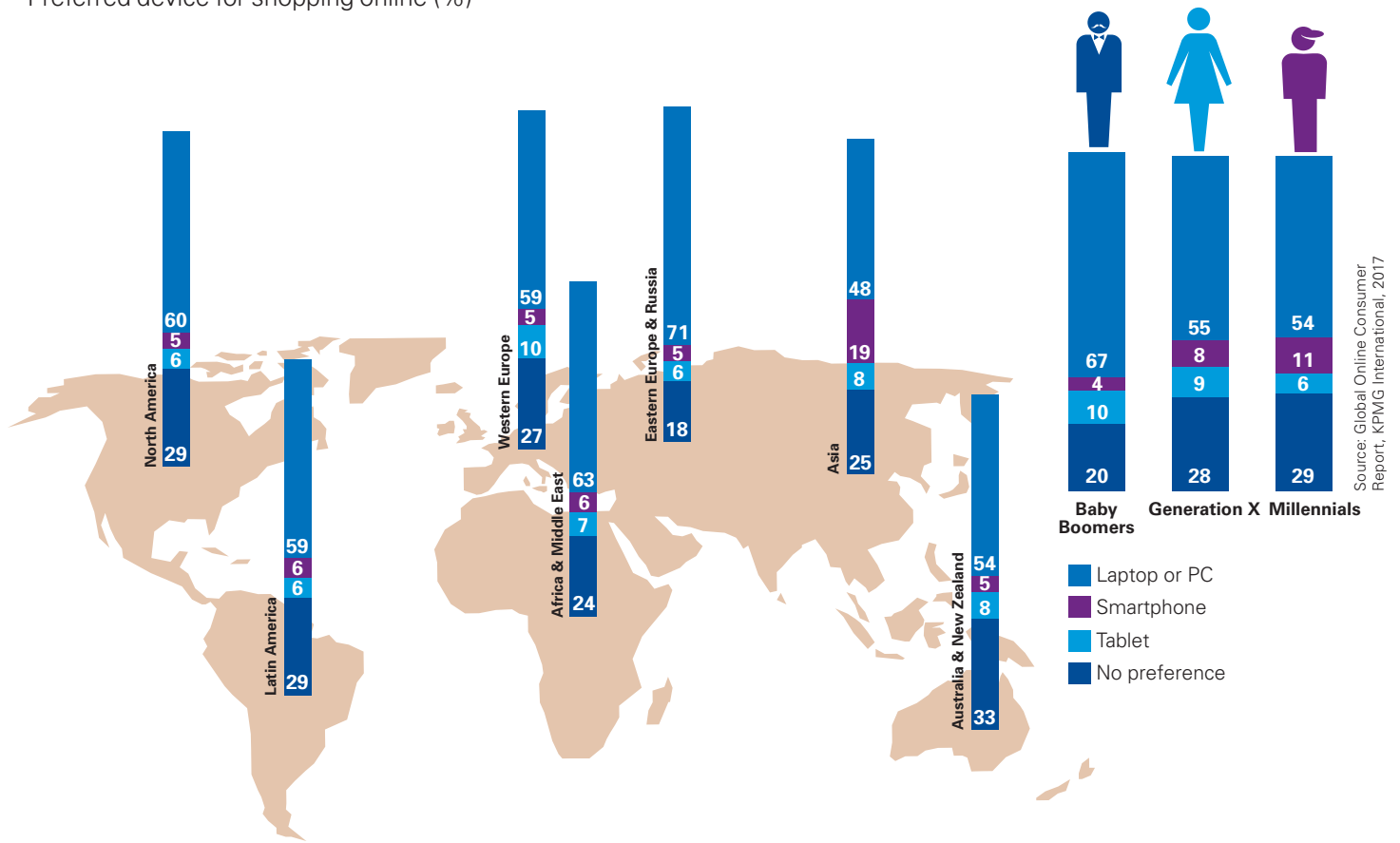
Device preference trends

Despite the global proliferation of mobile smart phones and tablets, the majority of consumers still prefer traditional desktop PCs or laptops when shopping online. More than half (57 percent) of online purchasers globally said they prefer to use desktop PCs or laptops, while 17 percent said they preferred to use a mobile device and 27 percent had no preference (Figure 1.6).

Device preferences varied significantly by region, with Asian consumers being more than twice as likely (19 percent) as the global average (8 percent) to shop on a smart phone. This was particularly evident in China, where 26 percent favored a mobile device. As expected, Millennials were the generation most likely to use a smartphone for shopping (11 percent of recent purchases) although 54 percent of them still used a laptop or desktop PC for their most recent online purchase.

"One of the reasons that China is so mobile-centric is because third-party payment systems using mobile apps are widely accepted in China both online and in shops. Chinese consumers are unique in their high confidence in third-party payment systems. Another reason is the high penetration of smartphones—largely due to the number of local manufacturers and competitive prices. Lastly, a lot of people have leapfrogged to ecommerce because of the lack of shops or brands available to them. The smartphone literally brings shops to rural consumers for the first time."

— Jessie Qian, Head of Consumer Markets, KPMG in China

"Companies should be channel agnostic, meaning it does not matter if they start with online or offline, what matters is that all channels are interlinked to give consumers the convenience they need. Online plays a major part in the customer journey or ROPO (research online, purchase offline). The most successful multi-channel companies established their online channels as early as the late nineties, went on to establish 'click and collect', eradicated silos across the entire organization and established a channel agnostic incentive program so retail staff do not consider online as a separate business."

— Paul Martin, UK Head of Retail, KPMG in the UK

Smart phones keep offline shoppers connected

While mobile may not be the most preferred online sales channel, over two-thirds of the consumers said they had used a smartphone for product research while in a physical shop (Figure 1.7).

This was particularly common in Singapore (83 percent), Brazil (79 percent), CEE (78 percent) and the US (77 percent), whiles many European consumers are about 10 to 15 percent less likely than average to look up products online while out shopping.

Millennials in all regions were more likely than their older counterparts to look up information on a smartphone while out shopping (77 percent). However, even half of the oldest generation of respondents said they had checked their mobile devices while in a shop.

What were consumers looking up? Comparing prices was the main reason for doing online research while out shopping, followed by looking up product information and checking online reviews (Figure 1.8).

Figure 1.7

Percentage of consumers that have used their smartphone to look up a product while in a shop

50% Baby Boomers
70% Generation X
77% Millennials

Figure 1.8

Percentage of consumers that looked up the following information about a product while in a shop
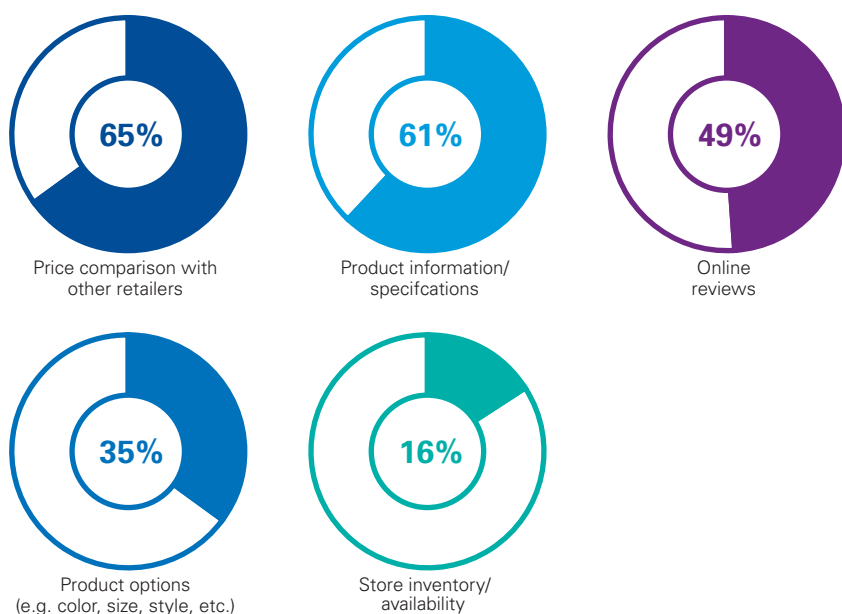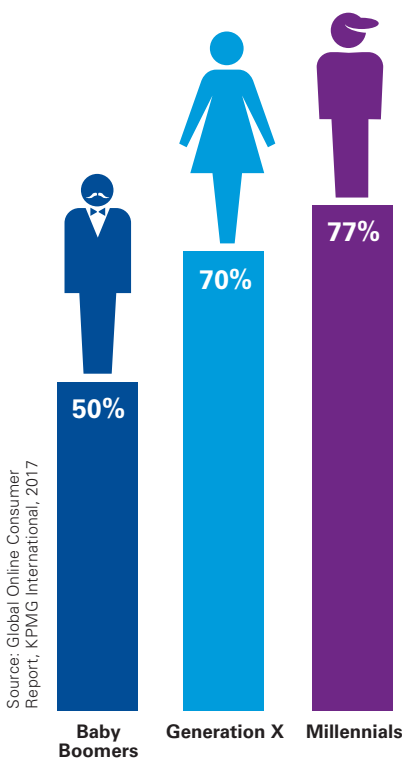
65% Price comparison with other retailers

61% Product information/ specifcations

49% Online reviews

35% Product options (e.g. color, size, style, etc.)

16% Store inventory/ availability

The path to purchase journey

The 'path to purchase' is a traditional shopping concept that has evolved significantly over the past decade due to the internet, digital innovation and the subsequent rise of online shopping. Although the digital revolution hasn't altered the fact that consumers still experience the same stages of awareness, consideration, conversion and evaluation, the journey itself has changed. Instead of a path to purchase that is traditionally linear, it has become more of a cycle or even a web. Consumers move through and back and forth between the stages, influenced by a myriad of both offline and online factors at every stage.

In order to investigate the drivers, motivators and inhibitors affecting consumers' decisions during a typical online transaction, a simplified cyclical path to purchase model was used for this study (Figure 2.0). Respondents were asked to describe their behavior during their most recent online transaction at each of four stages:

Awareness
When they first became aware of or had a desire for the product

Consideration
When they were researching the product online or offline

Conversion
When they were deciding where and when to buy the product

Evaluation
After they made the purchase

"To create loyalty with Millennials, brands need to first cover the basics—that means top notch customer service and quick, individualized responses, through the channels they use such as social media and messaging. But beyond that, brands need the right content strategy. They need to engage Millennials with communications that are both entertaining and informative. Elements of gamification or exclusivity can work well. Some of the footwear brands that are popular with Millennials use limited editions to create product and brand buzz. Millennials will line up physically and digitally to get their hands on these exclusive products."

— Joel Benzimra, Global Advisory Lead for Consumer Markets, KPMG International

Figure 2.0

Simplified path to purchase
Stages of the online purchase journey

1 **Awareness:** triggers and influencers

2 **Consideration:** product and company research

3 **Conversion:** where and when to buy

4 **Evaluation:** experience and feedback
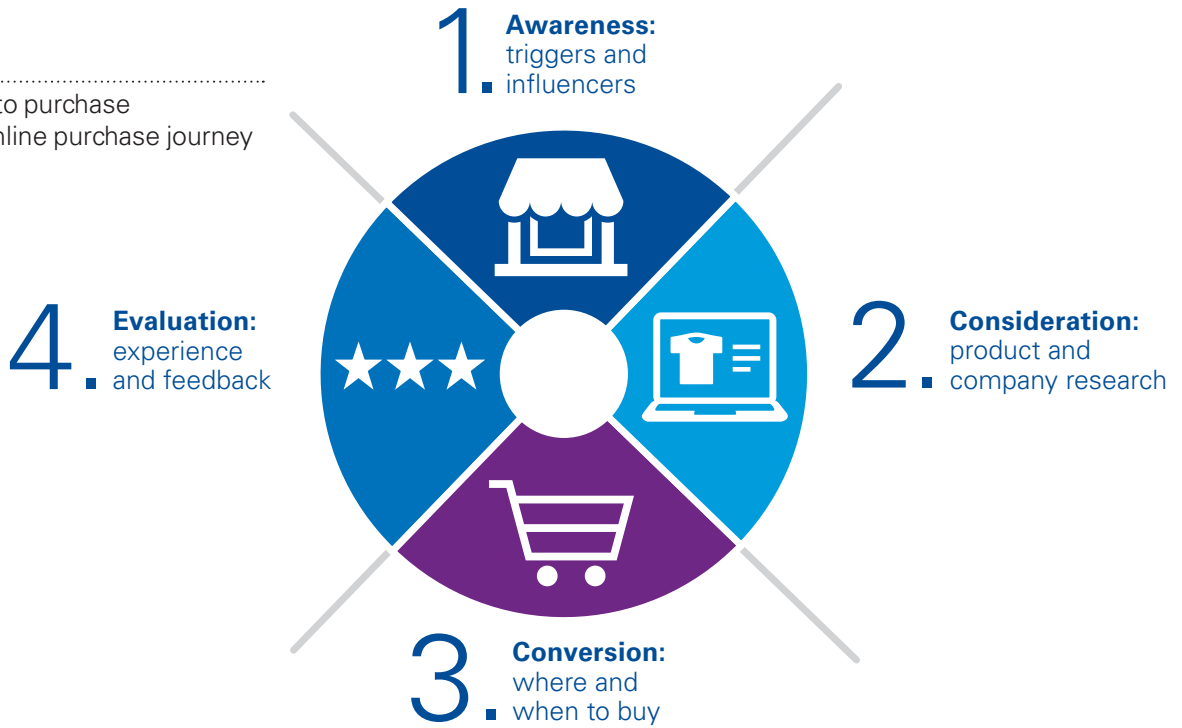
Stage 1 — Awareness: triggers and influencers

When comparing the impact of online versus offline touchpoints in creating the first trigger moment, it is interesting to observe that 52 percent of consumers cited at least one offline channel as a source of initial awareness, and 59 percent cited one or more online channels (Figure 2.1).

Using a multi-channel strategy to create awareness

Retail websites or online shops were the most common source of initial product awareness, cited by nearly a third of consumers, and online advertisements were cited by 15 percent. At the same time, physical shops were the second most popular source of awareness, cited by 22 percent of consumers.

Ecommerce is clearly far from being an online-only affair. Both online and offline channels are effective in creating consumer awareness and demand, especially when they are used together.

This is true for both corporate-controlled channels (shops, websites, advertising), as well as third-party sources of information. After websites, shops or online advertising, the most common sources of product awareness were online reviews (cited by 15 percent), talking with friends (15 percent), social media (13 percent) or seeing a friend with it (12 percent).

Figure 2.1

Channels where consumers saw the product before purchasing

Any online channel: 59%

- 30%
- 15%
- 15%
- 10%
- 10%
- 7%

Legend:
- Online shop
- Online advertisement
- Online review
- Social media post or blog
- Email promotion
- Online article or magazine

Any offline channel: 52%

- 22%
- 15%
- 13%
- 12%
- 9%
- 8%

Legend:
- Physical shop
- Talking to friends
- Talking to family
- Saw a friend with it
- Print magazine or newspaper
- On TV or in a movie
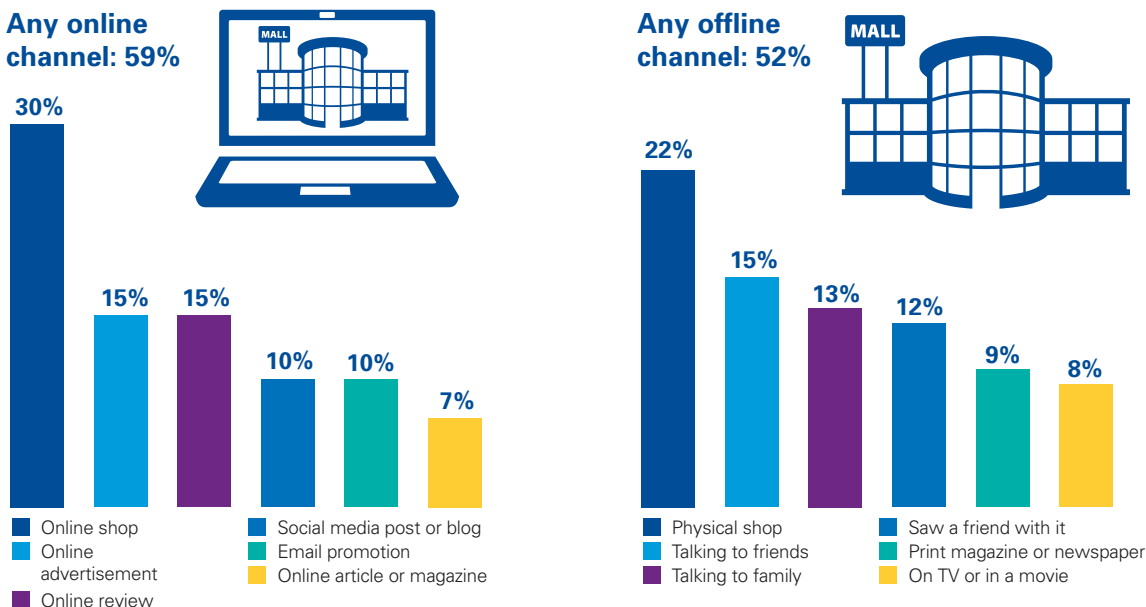
Source: Global Online Consumer Report, KPMG International, 2017

Consumers' increasing reliance on peers or ambassadors means that customers are among the most influential promotional conduits for companies. Both online and offline, the frequency of peer opinions as top awareness influencers highlights the significance of creating brand ambassadors and delivering a positive customer experience.

Awareness triggers by generation

Millennials are not only more likely than the older generations to be influenced by online sources such as social media or peer reviews—they are also more likely to be influenced by offline channels. Millennials were 25 percent more likely than Baby Boomers to have seen their most recent purchase in a shop, nearly 50 percent more likely to have talked to a friend about it, and more than twice as likely to say they saw a friend with it (Figure 2.2).

Although Millennials are certainly digital natives first, they are also at least as active and influenced as their parents are beyond the digital world.

Stage 2 — Consideration: product and company research

During the consideration stage, the importance of online channels continues to prevail, with the top two channels for research being online reviews (cited by 55 percent of respondents) and company websites (47 percent) (Figure 2.3).

Offline channels are also a significant source of information, with 26 percent of consumers saying they visited a physical shop during the research stage and 23 percent saying they spoke to friends or family about the product.

Figure 2.2

Offline channels where consumers saw the product before purchasing, by generation

Physical shop: 18%, 22%, 24%
Talking with friends: 12%, 13%, 17%
Saw a friend with it: 8%, 11%, 17%

■ Baby Boomers ■ Generation X ■ Millennials
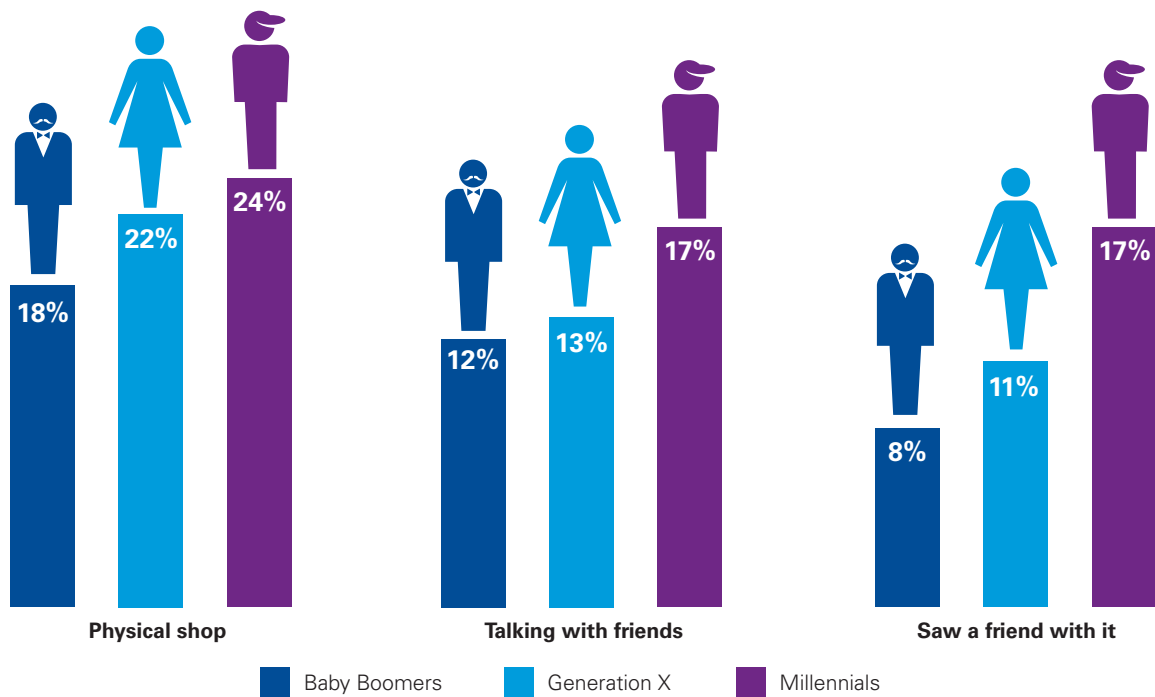
Source: Global Online Consumer Report, KPMG International, 2017

Figure 2.3

Percentage of consumers using the following channels to research products they bought online

55% Online search for reviews and recommendations

47% Visited the company website

26% Visited physical stores to see, try or fit the product

23% Spoke with my friends or family about it
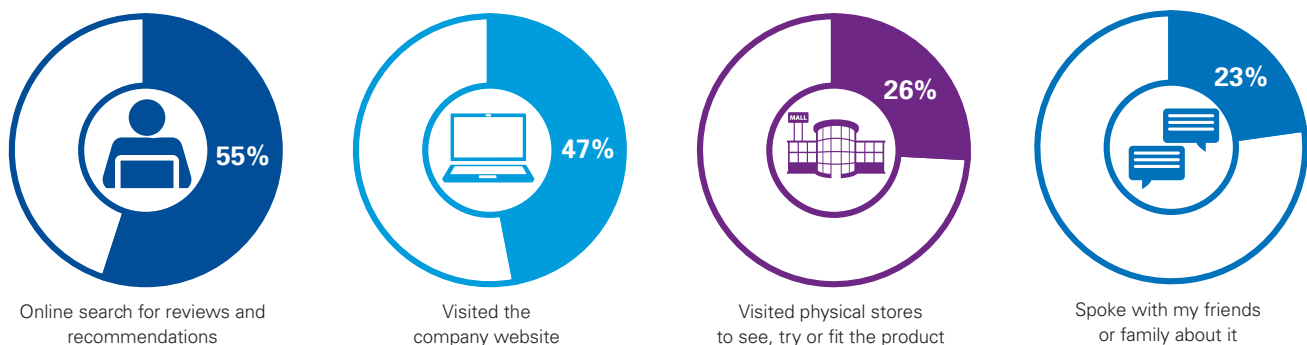
Source: Global Online Consumer Report, KPMG International, 2017

Ryohin Keikaku (Muji)

Kenji Takeuchi — Executive Officer
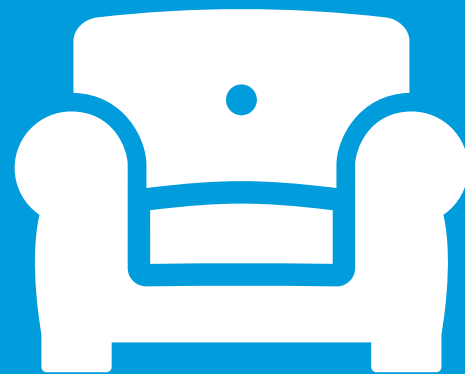
Muji, founded in the 1980s, is a globally renowned Japanese retail brand selling more than 7,000 household goods, apparel and food items. Their products are sold both through their online store, and in over 700 shops around the world—mainly in Japan, as well as in over 26 other countries. As an Executive Officer at Ryohin Keikaku (RKJ), Kenji Takeuchi is in charge of Muji's corporate planning, finance and IT.

Japan business leads in ecommerce

Ecommerce is a key part of Muji's business, although there is still room for growth in their online sales, especially outside of Japan. According to Takeuchi-san, "In Japan, Muji's online transactions account for around 10 percent of total sales, whereas in other countries it is lower; in Germany and China for example, only about 4 percent of sales come from online."

Targeting different segments

Muji's target market is not based solely on demographics, but on market size and respective consumer behaviors. "We target customers who are trend-conscious and are leading total consumer spending in each region. For example, Generation X are the main target in Japan because they have a high interest in shopping, and also have the disposable income."

In China, on the other hand, "Millennials are the main target because we regard them as the most up-to-date on trends and they are highly engaged digitally", says Takeuchi-san. He also notes that, "In Japan, where the retail market is very mature, there are not many differences between generations in terms of online shopping. The only difference Muji sees is that Millennials contribute to information diffusion, while Generation X consumers lead in consumption.

Muji is a true omni-channel retailer

Muji actively pursues synergies between its offline and online channels, and they have formal key performance indicators (KPIs) in place that ensure these synergies are maximized. According to Takeuchi-san, "The number of customers that visit our shops is a KPI for our ecommerce division. One of the objectives of that group is to direct consumers shopping online to come into our physical locations."

In addition to online to offline, Takeuchi-san discusses how their customers also go from shopping offline to online. "Furniture is a category that people often prefer to shop for in person, so they can see and touch the products. However, the final purchase decision may not be made until the consumer

goes home and is able to measure and see if it will fit in their space. To allow customers to then purchase the items online, we ensure that they can be easily ordered and quickly delivered."

Communicating content instead of specific products

Muji does not advertise their specific products but instead relies on consumers seeking new trends, styles, and information. According to Takeuchi-san, "Our advertising style is focused on the communication of a concept. We use our online asset 'MUJI.net community' and online loyalty program 'MUJI passport' to communicate concepts and provide information that can be shared on Facebook or Instagram, to entice consumers to visit our website or stores."

Muji uses its loyalty program to encourage customers to provide feedback and promote the company's products online. Members receive 'MUJI Miles' not only for making purchases, but also for checking into stores, posting product comments or participating in other promotions.

Online community is a point of differentiation

The MUJI.net community is considered to be an area of differentiation for Muji. The brand has developed a loyal member base through this community, with which they regularly communicate regarding trends and products. Takeuchi-san explains, "We provide interactive content, and columns to publish our views on social issues, and we engage customers in product development by asking for their ideas and opinions. This contributes to building loyalty among our customers."

Millennials are 50 percent more likely than Baby Boomers to visit a store

As in the awareness stage, Millennials are more likely than both Generation X and Baby Boomer consumers to use offline channels during the consideration stage. While online reviews and product websites are most frequently consulted, Millennials were also nearly 50 percent more likely than Baby Boomers to research a product by visiting a store or talking to friends and family (Figure 2.4).

Trust in online reviews vs company websites varies by region

In Asia, Eastern Europe and Russia, consumers seem to put a much heavier reliance on online reviews vs corporate websites than other regions (Figure 2.5). This comparatively lower trust in corporate content can be a risk for companies in these regions since they lack control over messaging and product information contained in consumer reviews. In addition to having informative websites, these companies need to pay particular attention to ensuring that have favorable reviews on social media and other third party forums.

Factors driving final product decisions

Overall, price or promotions (identified by 27 percent of respondents) were the factors most likely to influence consumers' decision regarding which product or brand to buy online. After price and promotions, product features (23 percent) or brand reputation (22 percent) were also commonly identified as the top considerations when making a final product choice (Figure 2.6).

Product decision factors varied by category. For fashion, food and luxury items, brand reputation was a particularly important consideration, although price was still the top decision factor (especially for luxury items, cited by 33 percent). For cosmetics, however, brand reputation and online reviews were the leading considerations (27 and 21 percent respectively), and for electronics, product features were most important (25 percent), closely followed by price, brand reputation and online reviews (each cited by one-fifth of the electronics buyers).

"Consumers are firmly in charge today and they are looking at personalization of services. Today's consumer is more similar to the 1920's consumer with a personal relationship with shopkeepers. Therefore, big data is important – retailers should understand what individual consumers buy and what they do. They should cater to consumers as individuals."

— Paul Martin, UK Head of Retail, KPMG in the UK

Figure 2.4

Channels used to research online purchases — by generation

Online channels

- Did online search for reviews & recommendations: 52%, 56%, 56%
- Visited the company website: 45%, 48%, 48%

Offline channels

- Visited physical stores to see, try or fit the product: 20%, 26%, 30%
- Spoke with my friends or family about it: 19%, 20%, 27%

Legend: Baby Boomers | Generation X | Millennials
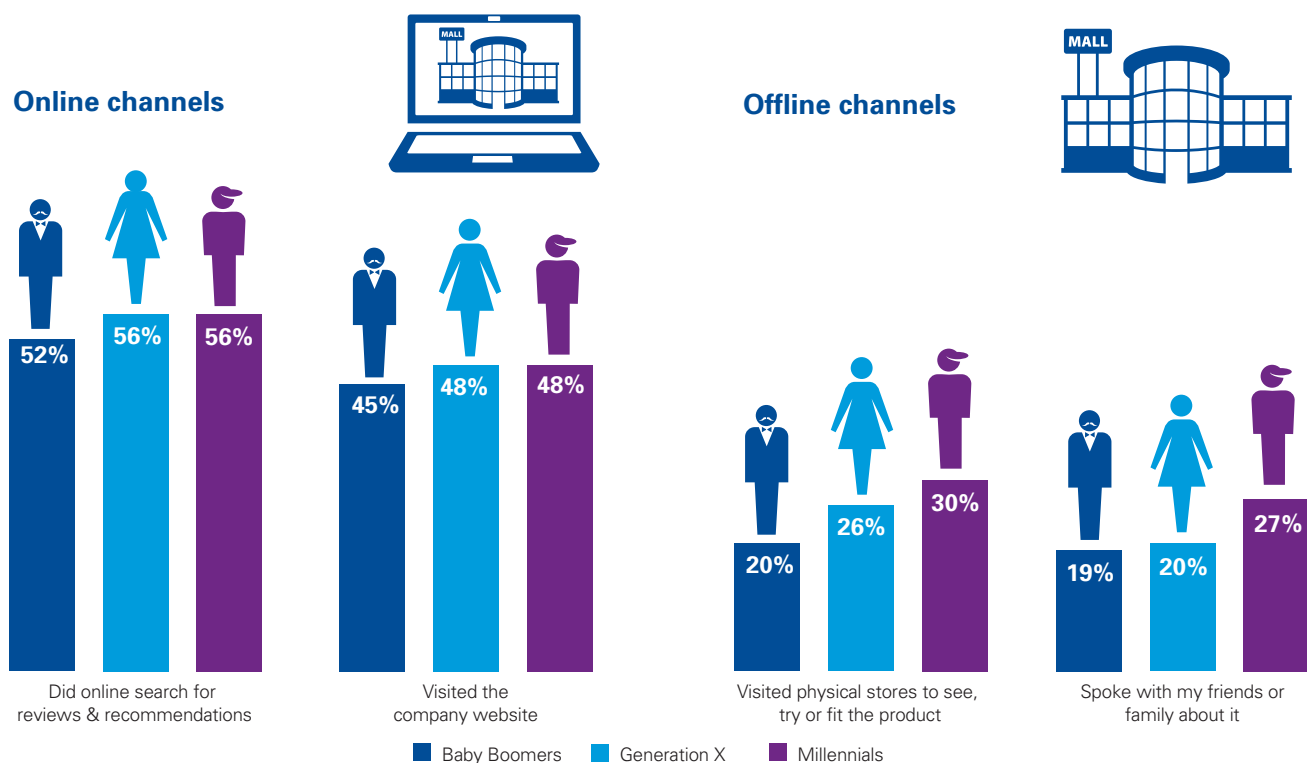
Figure 2.5

Percentage of consumers using the following channels to research online purchases — by region

North America: 44, 52, 32, 25
Latin America: 55, 49, 28, 20
Western Europe: 50, 48, 22, 19
Africa & Middle East: 55, 50, 22, 22
Eastern Europe & Russia: 64, 44, 30, 25
Asia: 66, 42, 31, 31
Australia & New Zealand: 49, 53, 20, 16

Online channels
- Did online search for reviews & recommendations
- Visited the company website

Offline channels
- Visited physical stores to see, try or fit the product
- Spoke with friends or family about it
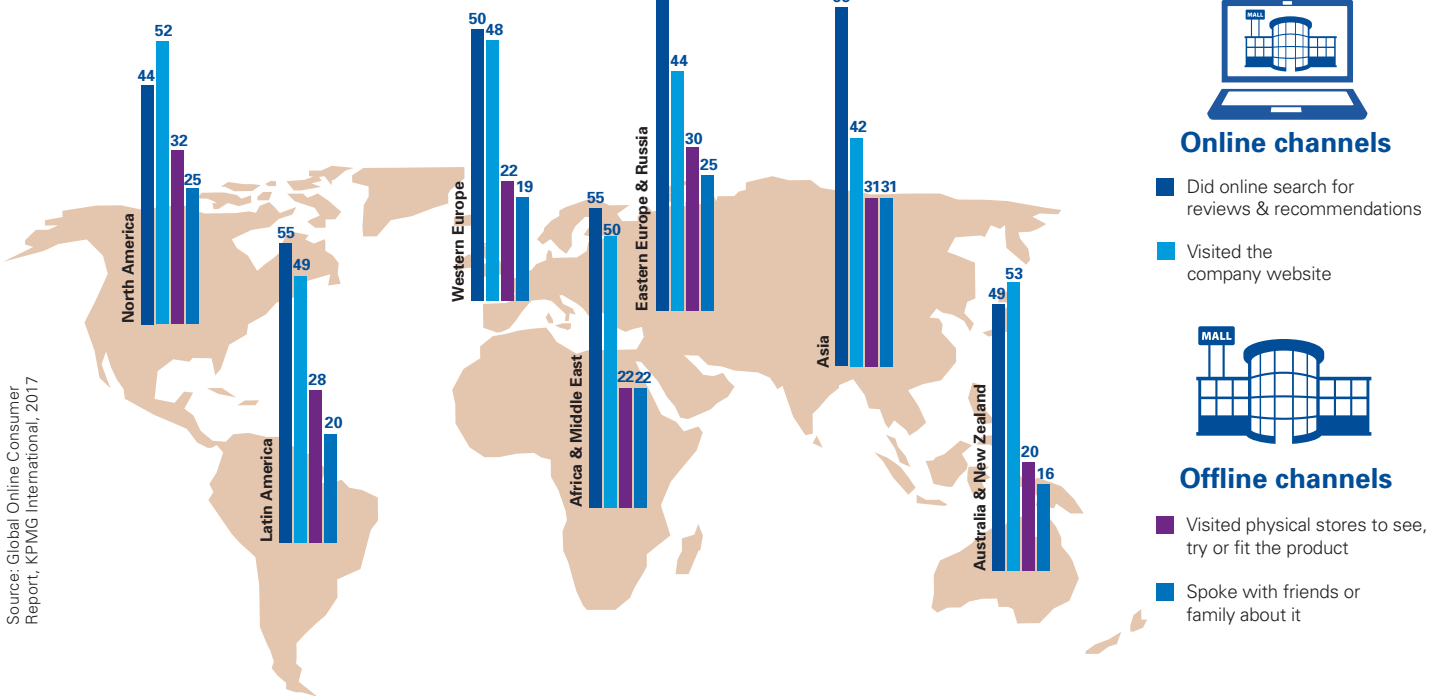
Source: Global Online Consumer Report, KPMG International, 2017

Figure 2.6

Factors driving purchase decisions

- 27% Price/promotions
- 23% Product features
- 22% Brand
- 17% Online reviews
- 5% Newest trends or arrivals
- 4% Peer influences/recommendations
- 2% Complementary products
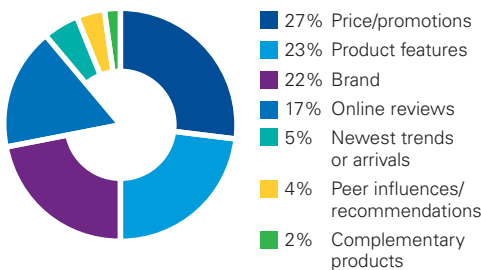
Source: Global Online Consumer Report, KPMG International, 2017

Decision factors by region

Consumers in Australia, New Zealand, Canada, France, Belgium and South Africa were most likely to be influenced by price or promotions. In these countries, more than 38 percent of consumers said price and promotions were the factors that drove their most recent product choice.

In Asia, on the other hand, brand was typically more important than price, particularly in China and India, where brand reputation was cited twice as often as price (31 percent vs 15 percent). Asian consumers, especially in China, Japan, Hong Kong and India, were also more likely than consumers in any other country to base their final product decision on online reviews (Figure 2.7).

Figure 2.7

Factors driving purchase decisions — by region

Asia: 19%, 23%, 24%, 22%, 12%
Australia or New Zealand: 38%, 19%, 22%, 12%, 9%
North America: 27%, 15%, 26%, 17%, 15%
Eastern Europe or Russia: 22%, 29%, 17%, 19%, 13%
Western Europe: 30%, 25%, 18%, 16%, 11%
Latin America: 29%, 25%, 24%, 13%, 9%
Africa and Middle East: 34%, 17%, 24%, 16%, 9%

- Price/promotions
- Product features
- Brand
- Online reviews
- Other
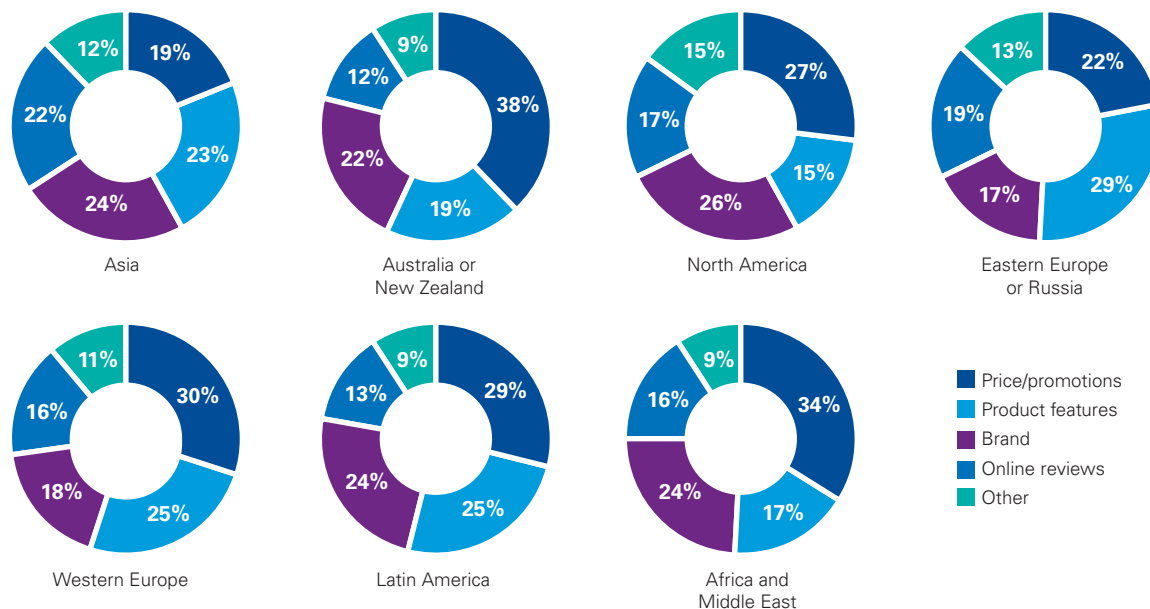
Source: Global Online Consumer Report, KPMG International, 2017

Stage 3 — Conversion: deciding where and when to buy

In the conversion stage of the online purchase journey, the consumer exercises two decisions: where, and when, to buy a product. In the online shopping arena, however, successfully engaging consumers during the first two stages of the purchase journey far from guarantees success in the third stage.

Informed online consumers will not hesitate to glean their inspiration and information from one or more sources, only to buy from another. Understanding the priorities of different types of consumers during this critical stage can give companies the advantage they need to win the coveted final sale.
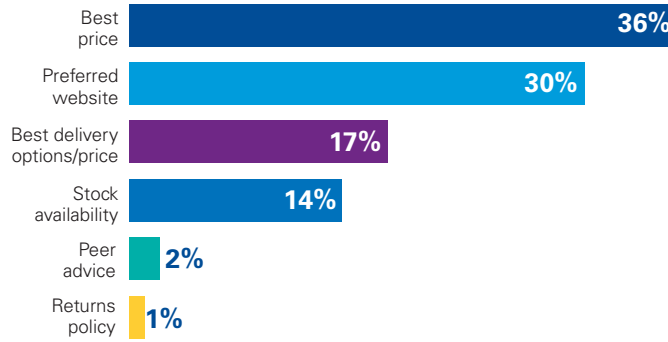
Deciding where to buy

As during the final product decision stage, price remains as the most common consideration when consumers are deciding where to buy (Figure 2.8), particularly in certain categories such as electronics. Having a website that consumers like and/or trust is also important, especially in Asia, where consumers said buying from a preferred website was more important than price.

In developed nations such as North America, Australia, New Zealand, and Western Europe, stock availability was a higher priority than in it was for consumers in other countries, particularly when buying fashion or luxury items. Consumers buying fashion items were also on average three times more likely to choose a vendor based on their returns policy.

Figure 2.8

Most important attributes when deciding where to buy

- Best price: **36%**
- Preferred website: **30%**
- Best delivery options/price: **17%**
- Stock availability: **14%**
- Peer advice: **2%**
- Returns policy: **1%**

Source: Global Online Consumer Report, KPMG International, 2017

Generally speaking, the decision factors most often considered by consumers choosing vendors were consistent across age groups, although Millennials were considerably more likely than the older generations to choose a vendor based on price than website preference (Figure 2.9). This could partly be due to Millennials' lower disposable incomes, or being relatively more online savvy or comfortable with online shopping in general.

Having a trusted website will always be important, but even as Millennials' incomes grow, competitive pricing is expected to continue to rise in importance during vendor selection.

Figure 2.9

Top attributes when deciding where to buy — by generation

Preferred website
- Baby Boomers: 33%
- Generation X: 31%
- Millennials: 27%

Best price
- Baby Boomers: 33%
- Generation X: 31%
- Millennials: 27%
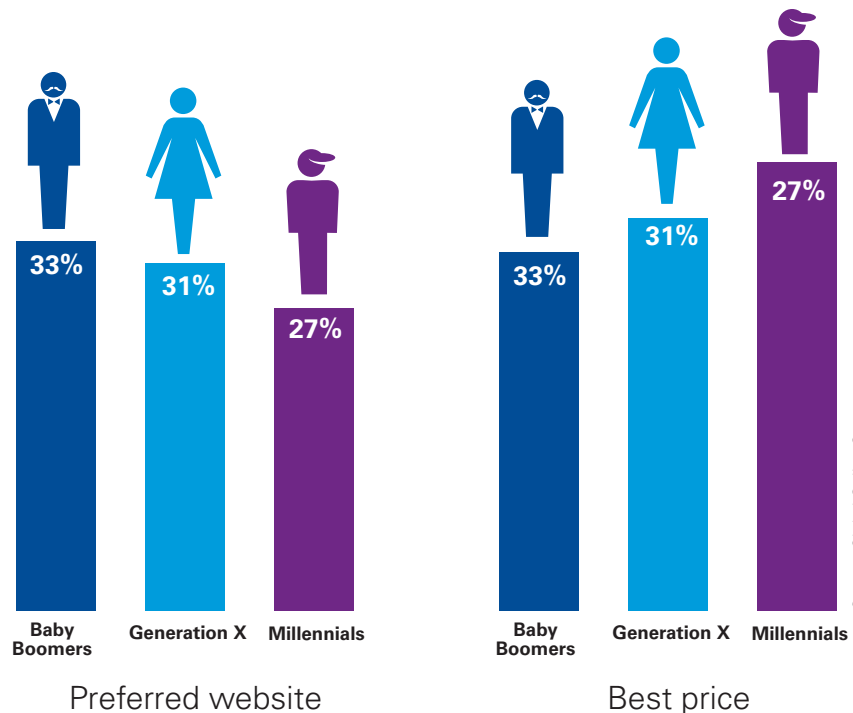
Source: Global Online Consumer Report, KPMG International, 2017

Grana

Luke Grana, CEO

Luke Grana is CEO and Co-Founder of the innovative online fashion retailer, GRANA. He, along with Pieter Paul Wittgen (COO and Co-Founder), have overseen the company's growth from a small startup just two years ago to an international brand, now shipping to twelve countries. GRANA's core aim is to manufacture and sell high-quality clothing at affordable prices, by cutting the costs associated with most traditional sales and distribution channels.

Winning and creating loyal online customers

GRANA's 'fun and cheeky' social media presence boosts rapport and in turn, brand loyalty, with their customers. They boast over 23,000 'likes' on Facebook, as well as over 24,000 followers on Instagram. It is on these social media platforms where they interact with their core market of Millennials, in a way that goes beyond just showcasing their fashions.

Never having invested in traditional advertising or promotion methods, GRANA instead relies on social media, digital campaigns and word-of-mouth recommendations to build brand awareness and drive online conversion. To support their ecommerce platform, GRANA has also created over twelve pop-up stores in Australia, Hong Kong, Singapore and the US, in addition to a flagship showroom called 'The Fitting Room by GRANA', located in Sheung Wan, Hong Kong.

These physical locations serve a dual purpose: they introduce the brand to those who have not already encountered it online, and they allow both new and existing customers to feel the fabrics and try on clothing to find the right fit. Although The Fitting Room and pop-ups carry no inventory, the buying experience is easy for those unaccustomed to online shopping, as staff are at hand to help customers order items online, on the spot, for delivery to customers' homes.

Returning customers comprise 50 percent of GRANA's sales. Luke attributes this loyalty to quality, pricing, swift delivery and attention to customer service—such as the personalized handwritten thank you cards that are included with each delivery, or the real-time live chat option available on their website.

Looking at the future

Initially, GRANA experienced most of their sales in Hong Kong where it is still strategically headquartered. However, their highest growth market is now the US. The company is planning to open their next pop-up showroom experience in New York City, in an effort to increase their US customer base even further. The startup also recently attracted Alibaba's Entrepreneur Fund as a new investor, and with their support, GRANA plans to enter the mainland China market in 2017, complete with a Chinese language website.

"We're really excited to have investment support from Alibaba, and we're looking forward to working closely with their team to enter the mainland market," says Luke. "Chinese consumers have already matured when it comes to the adoption of online shopping, and we see tremendous potential there in the medium-to-long-term."

Stage 4 — Evaluation: experience and feedback

In a circular or web path to purchase model, the evaluation stage is at least as important as, and inextricably linked with, the awareness and consideration stages. Positive customer experiences are critical in generating loyalty and repeat purchases, and in an era of social media and increasingly trusted peer reviews, voicing customer experiences can significantly influence future buying decisions—both positively and negatively.

The rise of online feedback

Around 30 percent of online consumers said they posted product feedback online and, in Asia, consumers were nearly 50 percent more likely than average to post a review (Figure 2.10). Consumers in the US, Turkey and Latin America (Brazil to a lesser extent) were also more likely than average to share feedback online. On the other end of the scale, consumers in Australia, Japan and many Western European countries were the least likely to post a review.

Younger consumers were more likely to post a review online, a consumer behavior trend that will likely continue even as they get older. This means that as the more vocal and digitally engaged younger consumers comprise an increasingly larger portion of the consumer base, online feedback will become a more frequent and influential part of the marketing mix.

Reviews are generally positive

A significant majority (92 percent) of the reviews that consumers across all age groups shared online were positive (Figure 2.11). The growing tendency for

Type of feedback most recently shared online
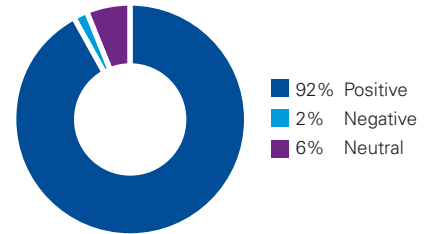
- 92% Positive
- 2% Negative
- 6% Neutral

consumers to post positive reviews is driven by many trends, including the rise of social media, where consumers subtly compete with their peers by publicly sharing their latest purchases and experiences; the rise of bloggers whose business models are based on providing product reviews that drive affiliate clicks; and sellers who proactively solicit ratings from happy customers.

Figure 2.10

Percentage of respondents who shared product feedback online

North America 35

Latin America 32

Western Europe 22

Africa & Middle East 30

Eastern Europe & Russia 26

Asia 43

Australia & New Zealand 14

Baby Boomers 28

Generation X 29

Millennials 34
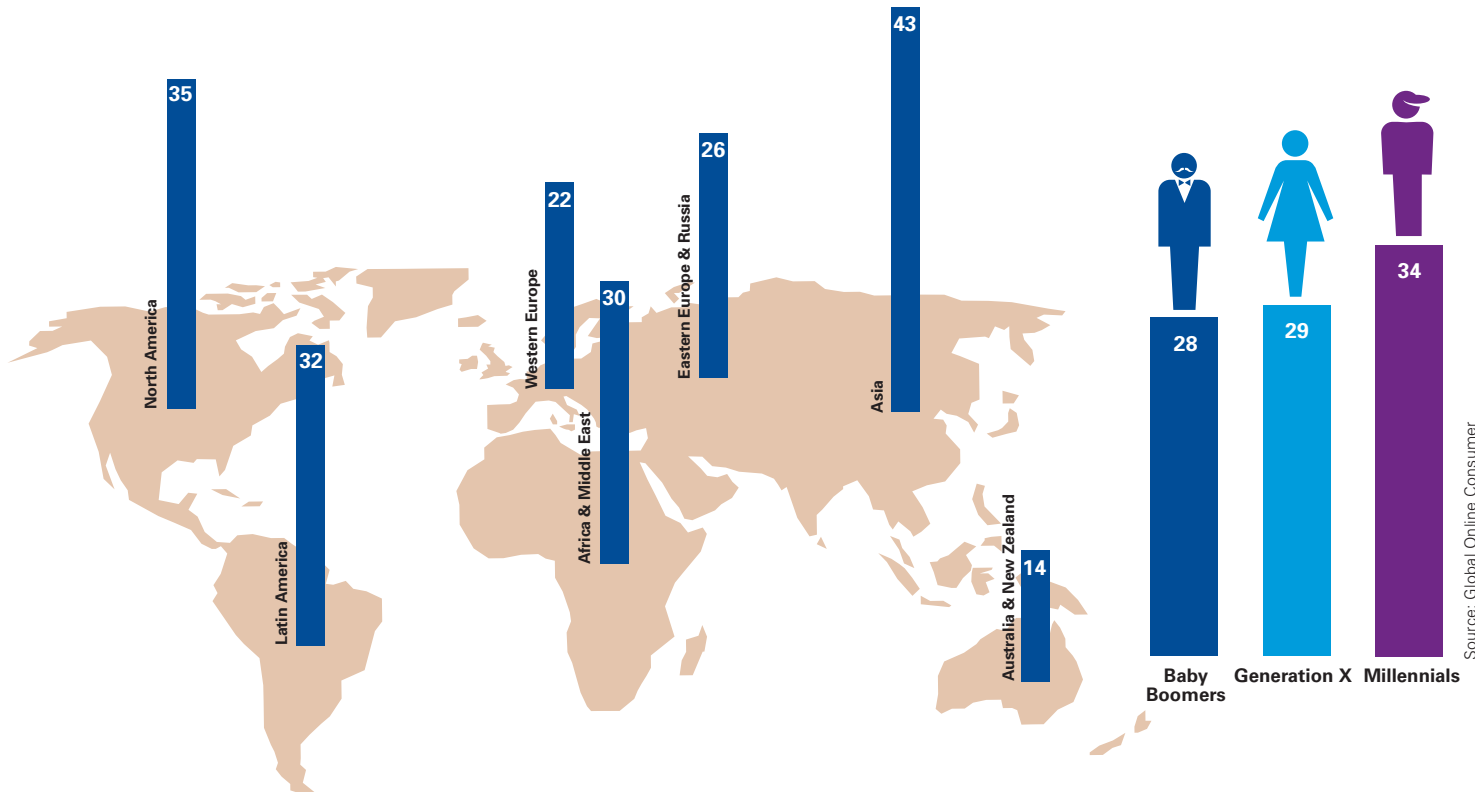
> "The older consumers are very concerned about data privacy and hence trust in the companies they buy from and share information with is important. On the other hand, younger consumers are less concerned about privacy. As long as they can gain a benefit from sharing their information, they will do it. This trait will become mainstream in the future."
>
> — **Stephan Fetsch, Head of Retail, KPMG in Germany**

Figure 2.12

Sites where consumers shared feedback (%)

Site	%
Seller's website	47
Facebook	31
Manufacturer or brand website	18
WhatsApp	17
Instagram	12
Online forum	11
WeChat	11
Blogs	10
Twitter	9
YouTube	4
Snapchat	3
Pinterest	3
Other	21

Source: Global Online Consumer Report, KPMG International, 2017

Increasing influence of social media

Understanding where consumers are posting feedback can help companies become more proactively engaged in monitoring, managing and fostering positive online customer reviews.

Currently, consumers are most likely to post directly to seller websites (Figure 2.12). Many popular online sellers have feedback mechanisms built in to solicit comments from customer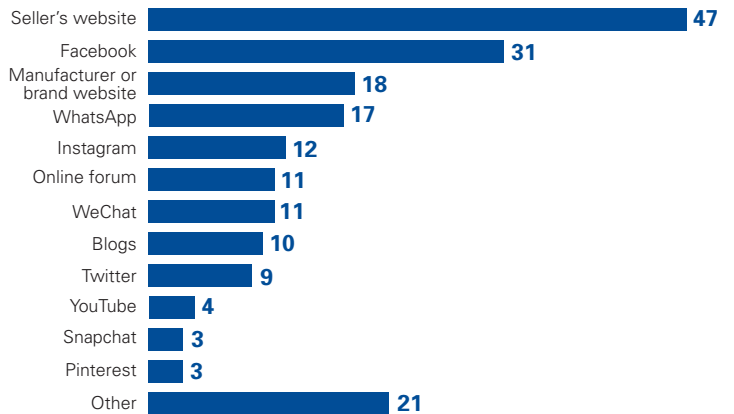s shortly after their purchase has been received. By waiting a few days for unhappy customers to register a complaint or return a product, savvy sellers can selectively reach out to those

customers who are likely satisfied and willing to post a positive review.

Generational trends indicate an increasing use of social media sites such as Facebook, WhatsApp, Instagram, blogs and Twitter for posting and reviewing feedback (Figure 2.13). The implication for companies is that user-generated reviews are being posted on sites that are increasingly beyond their sphere of control or influence. Companies will need to actively integrate these social media sites into their marketing and customer strategies. Many digitally innovative retailers and brands have already

mastered this approach, but most brands have yet to fully do so.

Regionally, there is variation in the most popular social media platforms (Figure 2.14). Although Facebook is the most common platform in nearly all regions, it is by far the preferred choice in North America and Australia. Instagram and Twitter are predominantly North American channels, and WhatsApp is particularly popular in Hong Kong, India, Africa, and Latin America. In China, where many US-based social media channels are not available, WeChat dominates, although its use is virtually exclusive to that country.

Figure 2.13

Sites where consumers shared feedback (%) — by generation

Source: Global Online Consumer Report, KPMG International, 2017

■ Baby Boomers ■ Generation X ■ Millennials

	Seller's website	Facebook	Manufacturer or brand website	Instagram	Twitter	Online forum	WhatsApp	Blogs	WeChat	YouTube	Snapchat	Pinterest
Baby Boomers	43	25	22	3	4	12	16	6	13	3	1	1
Generation X	49	29	18	9	9	10	16	10	10	3	2	3
Millennials	46	34	17	18	11	11	17	12	10	5	5	4
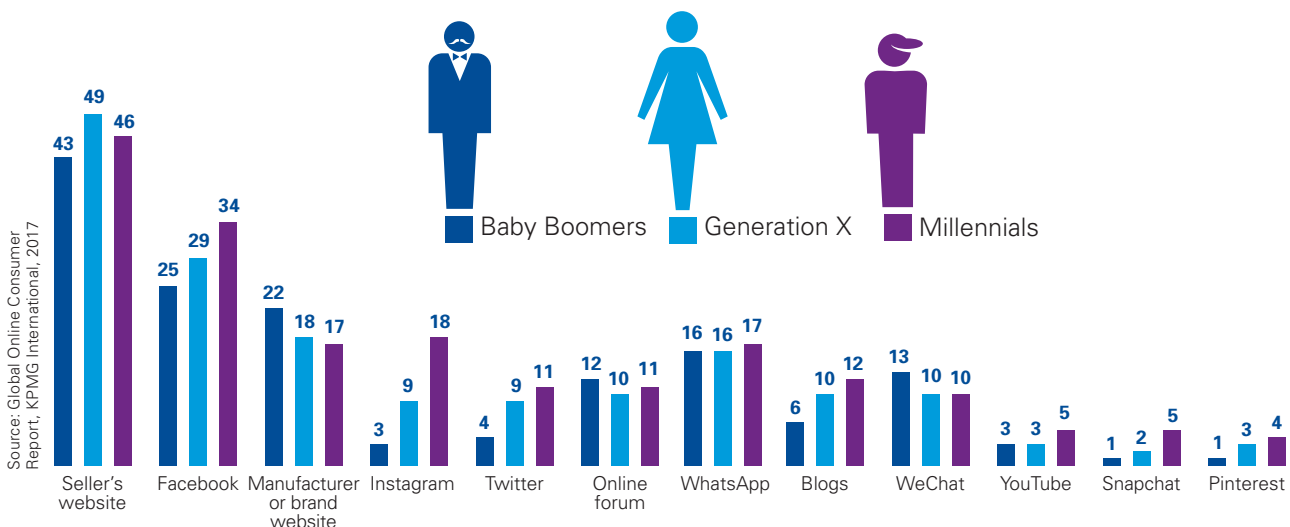
Figure 2.14

Most popular social media
sites for feedback (%) —
by region

North America
WeChat 6, Blogs 17, WhatsApp 25, Twitter 29, Instagram 40, Facebook 62

Western Europe
WeChat 1, Blogs 8, WhatsApp 15, Twitter 5, Instagram 8, Facebook 25

Eastern Europe & Russia
WeChat 5, Blogs 10, WhatsApp 1, Twitter 8, Instagram —, Facebook 15

Asia
WeChat 27, Blogs 14, WhatsApp 10, Twitter 6, Instagram 8, Facebook 21

Latin America
WeChat 6, WhatsApp 26, Twitter 10, Instagram 10, Facebook 38

Africa & Middle East
WeChat 2, Blogs 6, WhatsApp 23, Twitter 10, Instagram 12, Facebook 29

Australia & New Zealand
WeChat 2, Blogs 5, WhatsApp 8, Twitter 3, Instagram 16, Facebook 42

Legend:
- WeChat
- Blogs
- WhatsApp
- Twitter
- Instagram
- Facebook

Cycle duration
Short decision cycles leave little time to influence potential customers

For the majority of online transactions, the path from awareness to conversion is very short—71 percent of consumers surveyed made their purchase within a week of awareness or desire. Nearly one-third of the respondents said they purchased the item on the same day. This brief window for brands to influence potential customers makes it critical for them to understand what drives consumer behavior and decisions at every stage.

Although the survey results revealed that some consumer segments such as Millennials or Eastern Europeans and Russians, seem to take comparatively longer to make purchases, in general, there was little variation in the length of time spent in each stage based on age or geography (Figure 2.15).
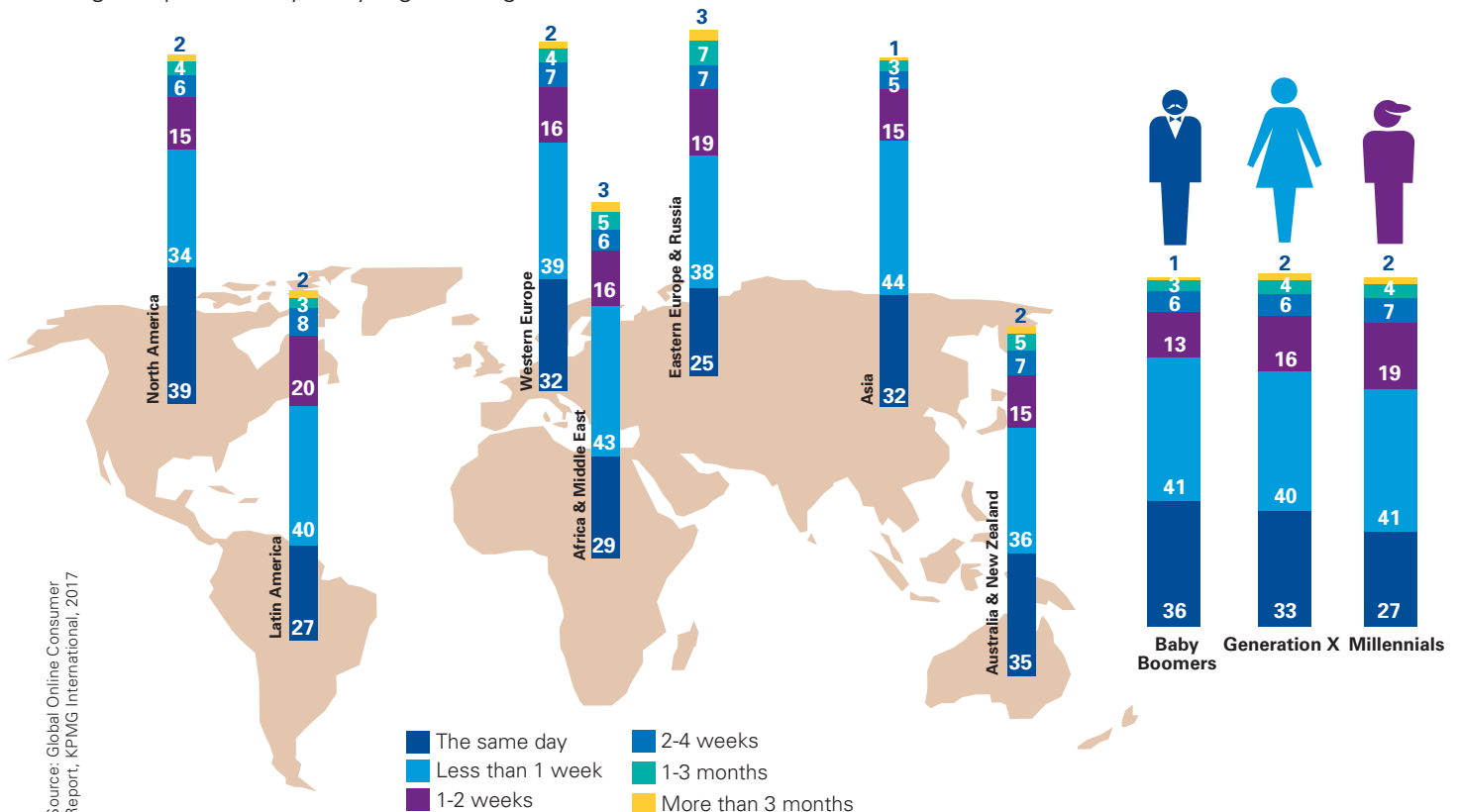
Figure 2.15

Length of purchase cycle by region and generation (%)

North America
The same day 39, Less than 1 week 34, 1-2 weeks 15, 2-4 weeks 6, 1-3 months 4, More than 3 months 2

Latin America
The same day 27, Less than 1 week 40, 1-2 weeks 8, 2-4 weeks 3, 1-3 months 2

Western Europe
The same day 32, Less than 1 week 39, 1-2 weeks 16, 2-4 weeks 4, 1-3 months 7, More than 3 months 2

Africa & Middle East
The same day 29, Less than 1 week 43, 1-2 weeks 16, 2-4 weeks 6, 1-3 months 5, More than 3 months 3

Eastern Europe & Russia
The same day 25, Less than 1 week 38, 1-2 weeks 19, 2-4 weeks 7, 1-3 months 7, More than 3 months 3

Asia
The same day 32, Less than 1 week 44, 1-2 weeks 15, 2-4 weeks 5, 1-3 months 3, More than 3 months 1

Australia & New Zealand
The same day 35, Less than 1 week 36, 1-2 weeks 15, 2-4 weeks 7, 1-3 months 5, More than 3 months 2

Baby Boomers
The same day 36, Less than 1 week 41, 1-2 weeks 13, 2-4 weeks 6, 1-3 months 3, More than 3 months 1

Generation X
The same day 33, Less than 1 week 40, 1-2 weeks 16, 2-4 weeks 6, 1-3 months 4, More than 3 months 2

Millennials
The same day 27, Less than 1 week 41, 1-2 weeks 19, 2-4 weeks 7, 1-3 months 4, More than 3 months 2

Legend:
- The same day
- Less than 1 week
- 1-2 weeks
- 2-4 weeks
- 1-3 months
- More than 3 months

TFG Group

Robyn Cooke —
Head of ecommerce
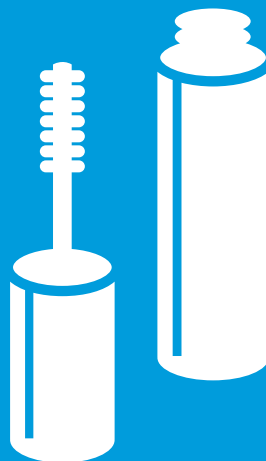
TFG is one of the leading independent retail groups in South Africa. It has grown to 22 different retail brands, with 3 operating internationally and the rest in South Africa. Robyn Cooke heads the ecommerce division for TFG globally and as she previously served in ecommerce roles in other regions she has a uniquely global perspective on what makes ecommerce in South Africa different.

TFG: aiming to grow e-commerce business by 30-40 percent

While currently 11 of its 22 brands are trading online, TFG is on a 5-year trajectory to get all 22 brands trading online.

According to Cooke, the average contribution of online sales for businesses in Africa is just around 1 percent today. She says that this puts South Africa still in an earlier stage of ecommerce adoption: "If we would say the US is in year 17 or 18 of ecommerce adoption, then comparatively South Africa would be in year 5 or 6. It's a young and nascent market, but strategically very important". For TFG, a higher than average 1.5 to 2 percent of all sales is transacted online, well ahead of the market, and Cooke expects this to grow to 5 percent in the next few years based on an annual growth rate of 30 to 40 percent.

Replenishment buying – not all fashion purchases require touch and trial

Cooke agrees with the finding in this report on the importance of allowing customers to touch and feel products, and that it can be a barrier for online sales. However, as per Cooke, about 60% of TFG's online sales are for replenishing products; items that consumers purchased previously and where they like to buy another color or type. As there is less of a need for touching and trying the product for these scenarios they are excellent ecommerce growth opportunities. In addition, within TFG's segment of disposable fashion the need to touch, feel and try fashion is less important than in other fashion segments.

Online-only retailers limit customers' choice

When talking about online to offline conversion and vice versa, Cooke fully agrees to the advantages of having a multi-channel online and offline retail platform. Consumers are neither online or offline, they just choose what fits them best each time. Says Cooke: "Within our platform, customers are able to check store stock levels online so they can pick-up their desired item in a store. In terms of returns, they can choose to return items to physical stores if that is easier for them. I feel that online-only retailers limit consumer choice as they can't offer these types of benefits."

Offline shops are here to stay

Connected to the above, Cooke believes that offline retail is not at all under threat with the proliferation of online retailers. She comments: "Online only retailer businesses in South Africa are difficult to sustain because most are working on funding, and there is a lot of pressure to get to a profitable level. It is still questionable how this will pan out for the pure e-tailer players in the market".

Future developments in fashion retailing

TFG foresees that in the future they will offer more trendy shopping micro sites, driven by shoppers' need for convenience. This can be in the form of 'event categories' such as weddings or music festivals, or it can be in the form of lifestyle trends such as 'nesting'. TFG believes they can leverage their diversity by providing all the products within these categories on one platform.

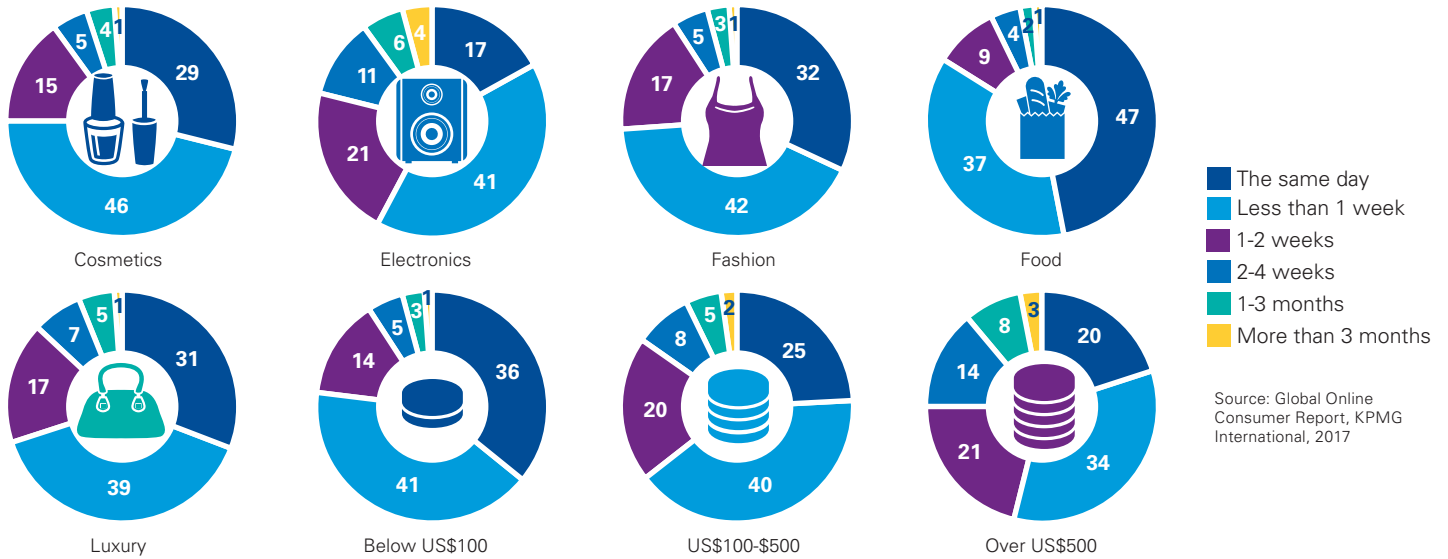### On developments in payment methods, WeChat's global expansion

South Africa has been a credit-driven market, through private label credit offered through stores. However, this is becoming more balanced with cash payments increasing in recent years, which are managed through mobile payments or electronic fund transfers. Furthermore, WeChat, in combination with 'SnapScan' offer South Africans in-store mobile payments.

Innovative solution for secure and convenient delivery

Unique challenges in South Africa drove TFG to find an innovative delivery solution. Most consumers in South Africa are not at home during regular hours to receive packages, and there is a high crime rate. To meet the need to provide a secure and convenient delivery option, TFG collaborated with a start-up company that works with a network of video stores and 24-hour petrol stations to provide secure locations where customers can pick up their packages at any time.

Figure 2.16

Purchase duration by product category and price (%)

Cosmetics: 29, 46, 15, 5, 4, 1

Electronics: 17, 41, 21, 11, 6, 4

Fashion: 32, 42, 17, 5, 3, 1

Food: 47, 37, 9, 4, 2, 1

Luxury: 31, 39, 17, 7, 5, 1

Below US$100: 36, 41, 14, 5, 3, 1

US$100-$500: 25, 40, 20, 8, 5, 2

Over US$500: 20, 34, 21, 14, 8, 3

Legend:
- The same day
- Less than 1 week
- 1-2 weeks
- 2-4 weeks
- 1-3 months
- More than 3 months

Source: Global Online Consumer Report, KPMG International, 2017

While the tendency for Millennials to be more 'time-rich' and 'cash-poor' than older generations can help explain why they might spend more time doing research, the average time that online consumers took to make a purchase was more related to the type and value of product being bought.

Electronics, especially telecommunication devices, had the longest purchase journey, due to more time typically being spent comparing product features, researching the latest trends and innovations, or finding the best price or promotion. Luxury products also had relatively longer sales cycles, although 70 percent of luxury purchases were still made within a week (Figure 2.16).

While consumers are less likely to purchase electronics, luxury goods, household furniture or appliances on impulse, food and other consumables such as beer, medicine, alcohol and pet food were frequently purchased on the same day. Books and music also often fell into the impulse category (Figure 2.17).

For products of relatively lower value, and where consumers are already familiar with the products on offer (often regular purchases), the evaluation stage is often skipped completely as consumers move straight from awareness to conversion.

In general, sales cycles are longer for higher-priced items and products that consumers typically buy less often. Brands and retailers selling products

with longer cycles have more time and opportunity to influence buying decisions during the consideration process—provided they know when potential customers are in this stage, and what sources they are using to do their research.

Impulse categories present another type of challenge for consumer companies. Consumables are usually products that consumers buy repeatedly, or sometimes buy impulsively on trial. While it's important for brands selling consumables to have positive online reviews and informative websites, marketing to consumers before they even reach the awareness stage, or promoting relevant products right at the time of purchase, is going to have the most impact.

Figure 2.17

Impulse vs longer cycle categories

Most impulsive categories	Percentage of purchases made same day
Food/groceries	51%
Beer	49%
Pharmacy/healthcare	46%
Wine	44%
Books/music	43%
Pet food and supplies	41%
Liquor	36%

Least impulsive categories	Percentage of purchases made same day
Telecommunications/phones	10%
Furniture/home decor	14%
Electronics/computers/peripherals	15%
Household goods and appliances	18%
Fine jewelry/watches	18%
Sporting goods/equipment	18%

Understanding consumer attitudes and motivations

What drives a customer to buy online or offline in the first place? Why do they trust some companies or websites over others? And what motivates someone to become a repeat customer or loyal ambassador? Understanding these consumer sentiments is critical for companies when formulating their brand, market positioning and overall experience offering.
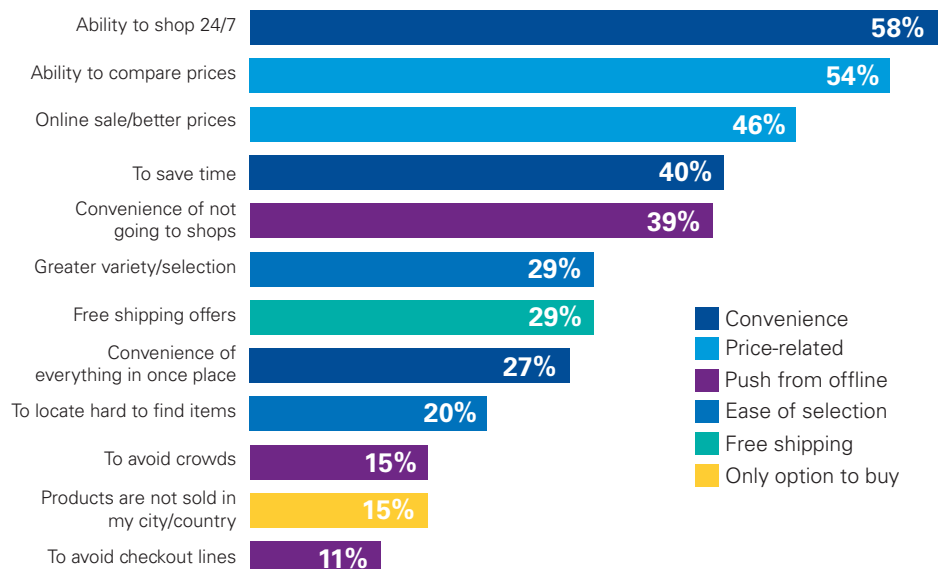
What's driving the shift to online?

When consumers were asked what factors motivated them to buy online instead of going to a shop, the top reasons were time flexibility and cost savings (Figure 3.0).

Consumers also said they preferred shopping online to avoid the negative experiences associated with going out to shops—these consumers in
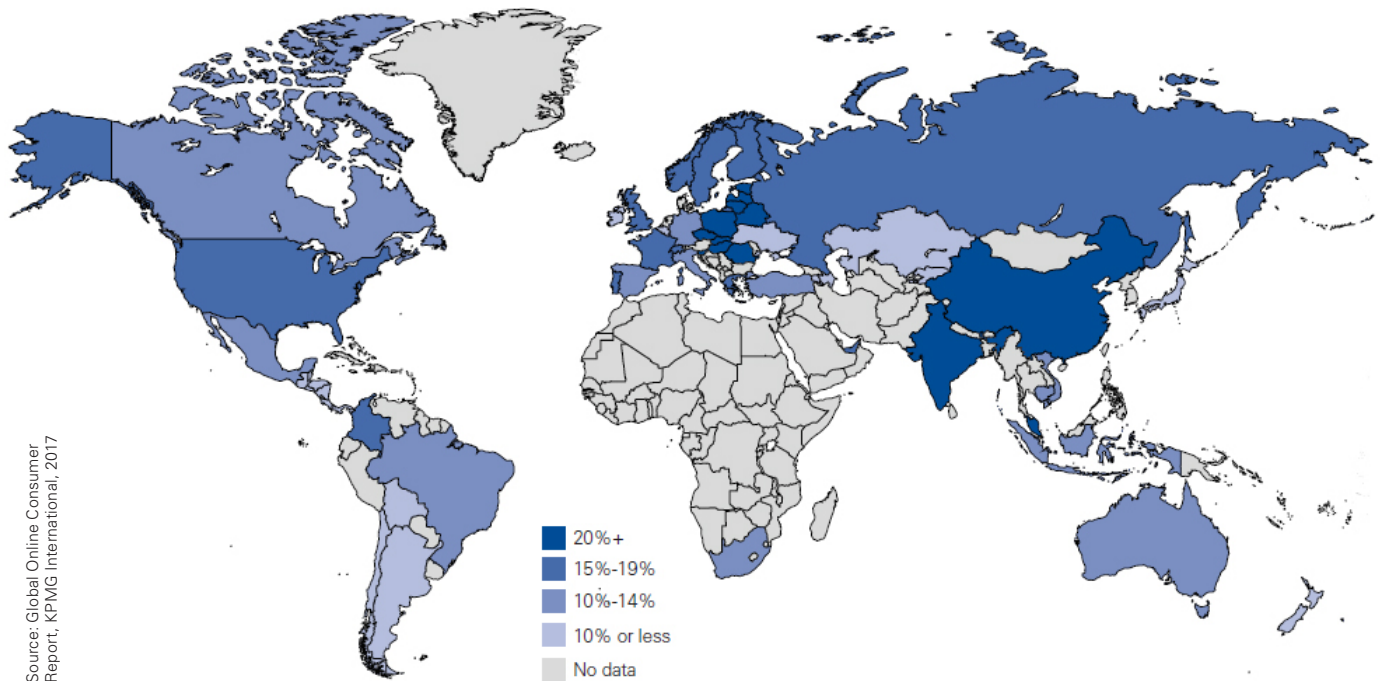
Figure 3.0
Reasons consumers shop online instead of in stores

Reason	Percentage
Ability to shop 24/7	58%
Ability to compare prices	54%
Online sale/better prices	46%
To save time	40%
Convenience of not going to shops	39%
Greater variety/selection	29%
Free shipping offers	29%
Convenience of everything in once place	27%
To locate hard to find items	20%
To avoid crowds	15%
Products are not sold in my city/country	15%
To avoid checkout lines	11%

Legend:
- Convenience
- Price-related
- Push from offline
- Ease of selection
- Free shipping
- Only option to buy

Source: Global Online Consumer Report, KPMG International, 2017

Legend:
- 20%+
- 15%-19%
- 10%-14%
- 10% or less
- No data

a way are 'pushed' online by the inconveniences of traveling to a shop, being in a crowd, or standing in checkout lines. This was particularly evident in some countries with densely populated cities. Consumers in China, India and Singapore (Figure 3.1), for example, were the most likely to say crowd avoidance was a top motivator to shop online.

Another key driver for some who are buying online is access to products not otherwise available in local shops. Although on average this was one of the least common reasons for shopping online, in certain regions such as Latin America and Asia-Pacific, it was cited as a top reason by a quarter to nearly half of all consumers surveyed.

The countries where consumers were most likely to shop online out of necessity tend to be those where
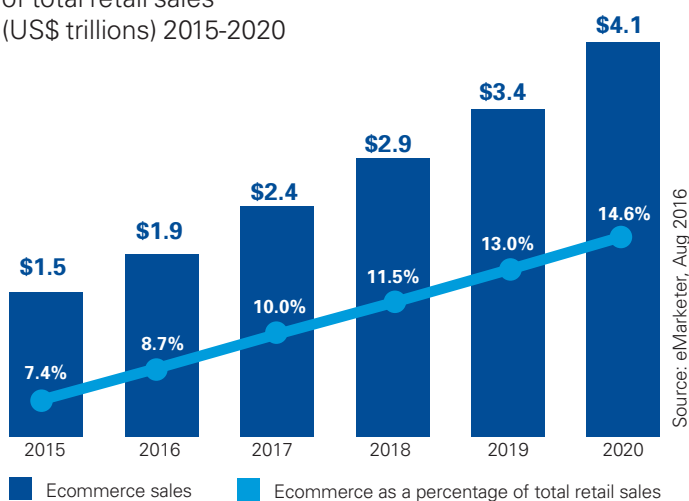
product availability or selection is limited, or where much of the population lives in remote areas with limited access to shops or certain goods.

Overcoming the hurdles to selling online

Although the percentage of total retail sales made online is unquestionably growing, on average, the majority of consumer purchases are still made in shops (Figure 3.2).

Bar chart values:
- 2015: $1.5 — 7.4%
- 2016: $1.9 — 8.7%
- 2017: $2.4 — 10.0%
- 2018: $2.9 — 11.5%
- 2019: $3.4 — 13.0%
- 2020: $4.1 — 14.6%

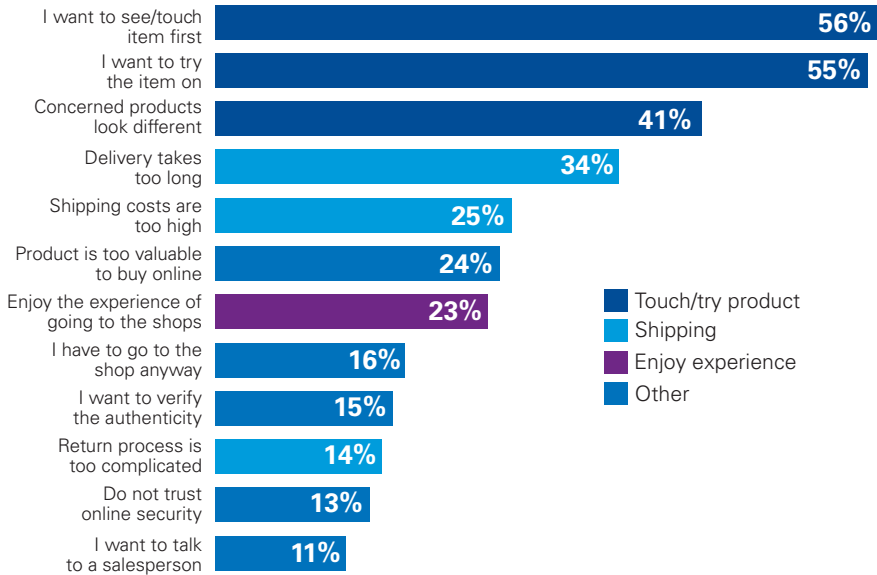Legend: Ecommerce sales ■ | Ecommerce as a percentage of total retail sales ●

"As more advances in technology such as blockchain or payment apps emerge, the move to cashless societies will create new ways for retailers and online brands to offer benefits to customers. Banks and other payment technology providers, including credit card companies, need to be aware of these changes and join the game, or risk losing their leading positions."

— Willy Kruh, Global Chair, Consumer Markets, KPMG International

Figure 3.3

Reasons consumers shop in stores
instead of online

Reason	%
I want to see/touch item first	56%
I want to try the item on	55%
Concerned products look different	41%
Delivery takes too long	34%
Shipping costs are too high	25%
Product is too valuable to buy online	24%
Enjoy the experience of going to the shops	23%
I have to go to the shop anyway	16%
I want to verify the authenticity	15%
Return process is too complicated	14%
Do not trust online security	13%
I want to talk to a salesperson	11%

Legend:
- Touch/try product
- Shipping
- Enjoy experience
- Other

Source: Global Online Consumer
Report, KPMG International, 2017

"As part of an integrated customer-centric business model, customers expect that goods can be delivered or picked up wherever they are located. They want their orders consolidated, they want shipping bundled with service, and they want to be able to return things easily. In order to meet these growing demands, companies need either better distribution systems or partners that can do it better for them."
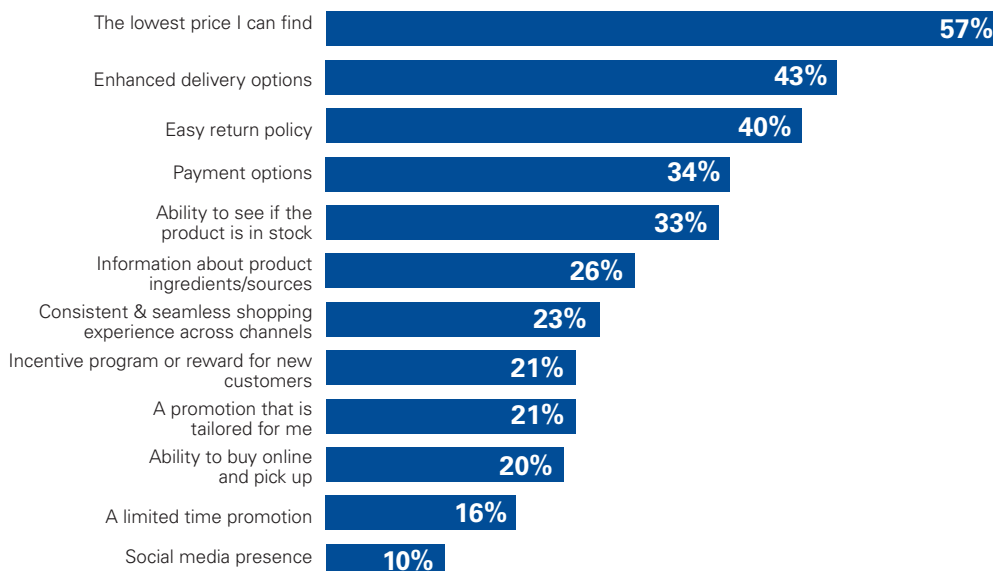
— **Julio Hernandez, Global Customer Lead, KPMG International**

Only 23 percent of consumers said they prefer visiting shops to enjoy the shopping experience. Most often, it is because they want to see, touch, try on, or verify the appearance or features of a product before buying (Figure 3.3). Retailers looking to drive online sales of products that consumers are less willing to buy sight unseen may use strategies to persuade them to shop online. These might include providing comprehensive sizing and measuring charts, detailed photographs with 360° and zoom viewing, free fabric swatches by mail, satisfaction guarantees, or easy returns, to name a few.

As consumers continue to shift their shopping to online, retailers who understand the factors motivating them to shop online or in-store will be better positioned to create sales channels that meet their customers' evolving needs and preferences.

Winning the online consumer

As explained in the previous chapter, during the conversion stage, having the most competitive price won't guarantee a sale. Although price was cited by 57 percent of consumers as a top factor in deciding which website to buy from, the next key attributes were enhanced delivery options and easy return policies (Figure 3.4).

Figure 3.4

Most important company attributes when deciding where to buy

Attribute	%
The lowest price I can find	57%
Enhanced delivery options	43%
Easy return policy	40%
Payment options	34%
Ability to see if the product is in stock	33%
Information about product ingredients/sources	26%
Consistent & seamless shopping experience across channels	23%
Incentive program or reward for new customers	21%
A promotion that is tailored for me	21%
Ability to buy online and pick up	20%
A limited time promotion	16%
Social media presence	10%

Source: Global Online Consumer
Report, KPMG International, 2017

In China, delivery options ranked even higher than price, and in India and Turkey, easy return policies was the most commonly cited attribute.

Millennials less willing to wait for delivery

Millennials have a much higher demand for instant gratification than older generations. Although younger consumers are increasingly comfortable with buying products online without seeing them first, they are almost twice as likely to say they'd rather visit shops to get their product right away, rather than buy online and await delivery (Figure 3.5).

Companies will need to continually innovate to shorten delivery times and satisfy increasingly demanding consumer expectations.

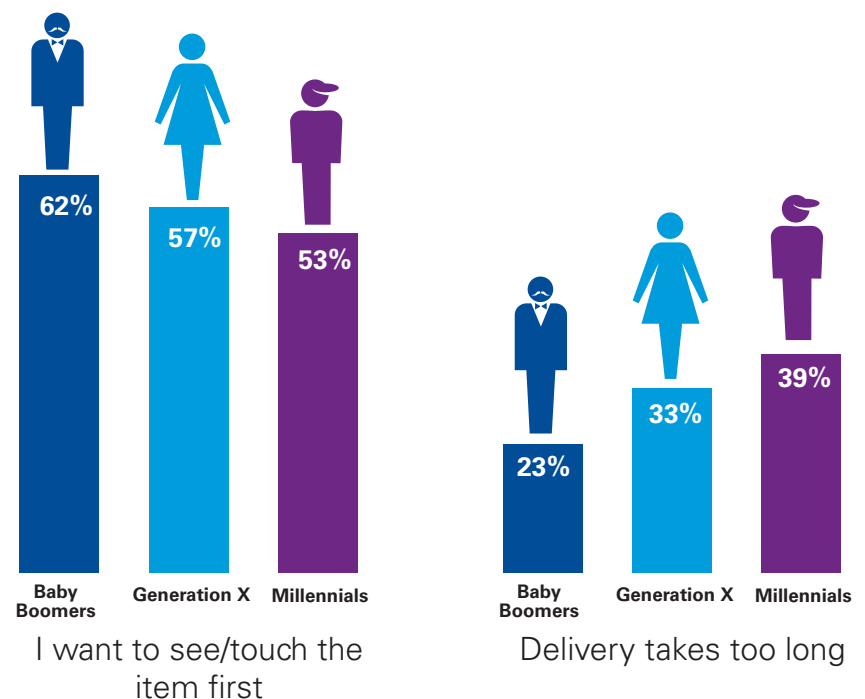## Payment options need to be regionally tailored

Payment options ranked fourth (by one third of consumers) among key consideration when selecting a vendor. Consumers in Eastern Europe and certain Western European countries such as Germany, Belgium and Greece, as well as in Russia, India and Latin America, were especially likely to say a company's payment options are important, and in many cases even more important than their options for delivery or returns.

"The majority of payments for online purchases in India at the moment are cash on delivery (COD). This is driven by the high proportion of unbanked population, and the low credit card penetration. However, there has been an increase in use of credit cards, debit cards and e-wallets in the past one and a half years since the government has announced the demonetization move, a big push to curb black money in India. The banks as well are educating their customers and driving them to use other methods of payment. Still though there is a long way to go because the online payment systems are not yet well developed."

— **Rajat Wahi, Head of Consumer & Retail, KPMG in India**

Figure 3.5

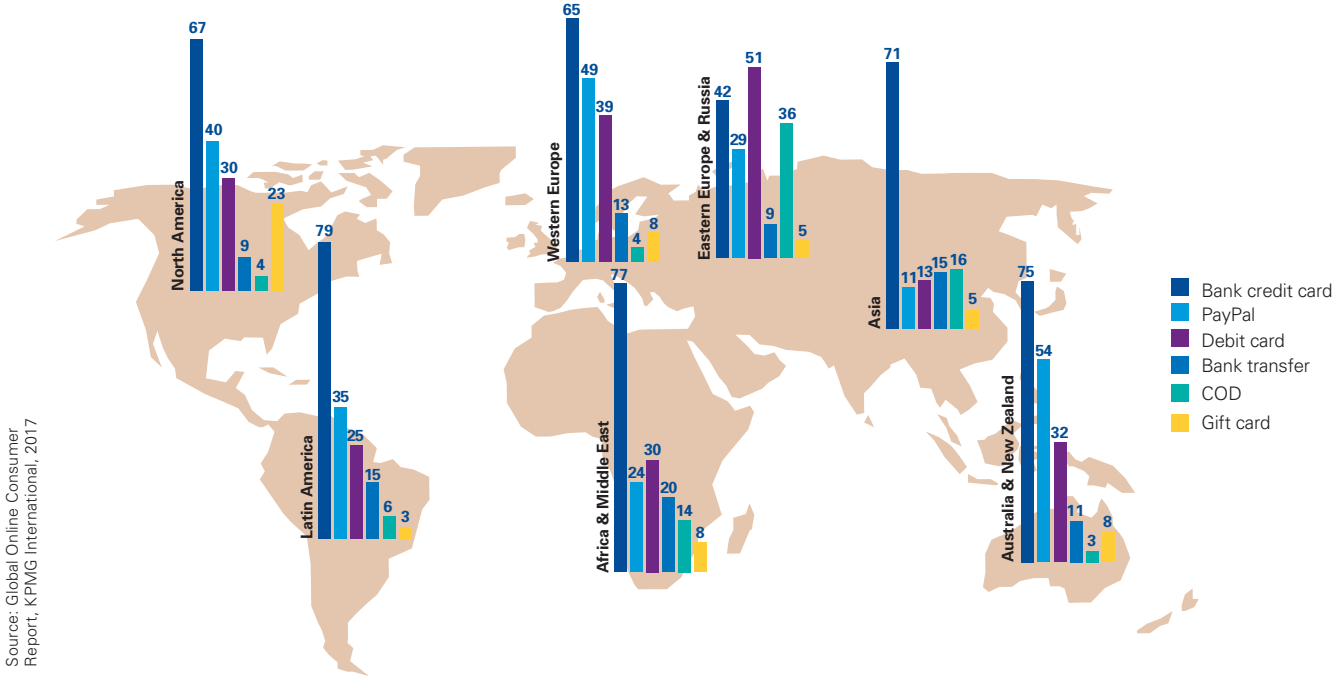Reasons consumers shop in stores instead of online — by generation

	I want to see/touch the item first
Baby Boomers	62%
Generation X	57%
Millennials	53%

	Delivery takes too long
Baby Boomers	23%
Generation X	33%
Millennials	39%

Figure 3.6

Percentage of consumers that use payment method — by region

North America
- Bank credit card: 67
- PayPal: 40
- Debit card: 30
- Bank transfer: 9
- COD: 4
- Gift card: 23

Latin America
- Bank credit card: 79
- PayPal: 35
- Debit card: 25
- Bank transfer: 15
- COD: 6
- Gift card: 3

Western Europe
- Bank credit card: 65
- PayPal: 49
- Debit card: 39
- Bank transfer: 13
- COD: 4
- Gift card: 8

Eastern Europe & Russia
- Bank credit card: 42
- PayPal: 29
- Debit card: 51
- Bank transfer: 9
- COD: 36
- Gift card: 5

Africa & Middle East
- Bank credit card: 77
- PayPal: 24
- Debit card: 30
- Bank transfer: 20
- COD: 14
- Gift card: 8

Asia
- Bank credit card: 71
- PayPal: 11
- Debit card: 13
- Bank transfer: 15
- COD: 16
- Gift card: 5

Australia & New Zealand
- Bank credit card: 75
- PayPal: 54
- Debit card: 32
- Bank transfer: 11
- COD: 3
- Gift card: 8

Legend:
- Bank credit card
- PayPal
- Debit card
- Bank transfer
- COD
- Gift card

Globally, credit cards are the most common payment method—more common than the next two popular payment methods combined, PayPal and debit. PayPal is a close second to credit cards in the more developed countries and is widely used in most other countries with the exception of Asia (Figure 3.6). In most of Asia, PayPal is hardly used, compared to Alipay and WeChat in China, and credit cards in most other Asian countries. India is the Asian exception, where consumers prefer to pay cash on delivery (COD) or by debit card, rather than on credit, similar also to Russia, where consumers are the least likely of any nation to use credit at all.
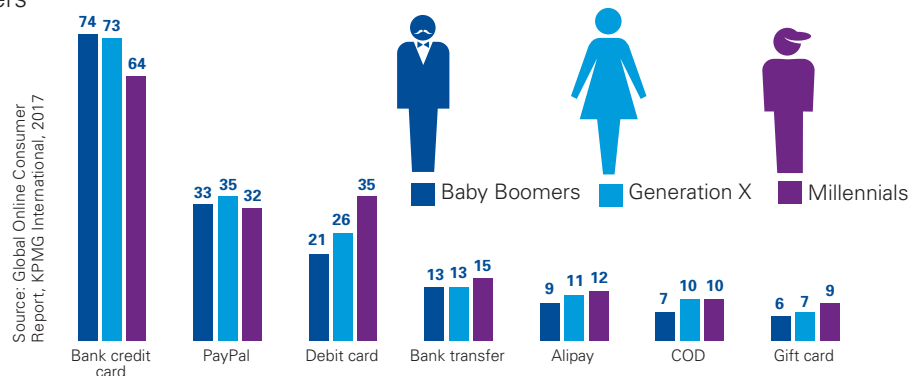
Younger consumers are less likely to pay with credit

Millennials are less likely than other generations to pay with credit compared to debit cards, COD or prepaid gift cards. Whether this trend indicates a sustained lower appetite for buying on credit, or is simply reflective of younger consumers currently having less access to credit, is uncertain (but likely the latter). Regardless, the key takeaway is that companies need to include both cash/debit and credit as payment options in order to attract younger buyers (Figure 3.7)

Figure 3.7

Percentage of consumers that use payment method — by generation

Bank credit card
- Baby Boomers: 74
- Generation X: 73
- Millennials: 64

PayPal
- Baby Boomers: 33
- Generation X: 35
- Millennials: 32

Debit card
- Baby Boomers: 21
- Generation X: 26
- Millennials: 35

Bank transfer
- Baby Boomers: 13
- Generation X: 13
- Millennials: 15

Alipay
- Baby Boomers: 9
- Generation X: 11
- Millennials: 12

COD
- Baby Boomers: 7
- Generation X: 10
- Millennials: 10

Gift card
- Baby Boomers: 6
- Generation X: 7
- Millennials: 9

Legend: Baby Boomers | Generation X | Millennials

ZALORA

Tito Costa, Managing Director

Founded in 2012, ZALORA is a leading fashion ecommerce company in Southeast Asia, with presence in Singapore, Indonesia, Malaysia, The Philippines, Hong Kong and Taiwan. Tito Costa is ZALORA's Managing Director, who joined the company after launching several internet businesses in Europe and Asia when he was with Rocket Internet—one of the early investors in ZALORA's parent company Global Fashion Group.

Southeast Asia growth

Costa is very optimistic about growth in his region: "Ecommerce in Southeast Asia is still at an infancy stage with online retail accounting for roughly 1-2 percent of total retail sales. Given a lack of traditional retail infrastructure outside of the tier one cities, we expect that over time ecommerce will comprise an even larger share of retail sales when compared to the US or Europe. We also believe that customer experience, breadth of higher quality assortment and relevant content will play an increasingly important role. Deal-seeking behavior or discount-focused discovery will only be one of many drivers of ecommerce's future potential."

Leveraging both online and offline channels

As an online retailer, ZALORA sees offline channels as important for acquiring customers and building brand trust, says Costa, "We have been experimenting with offline retail through pop-up stores since late 2014. Customers at our pop-up stores are able to see our products, try them on and then scan the barcode in order to process their purchase at the self-serve checkout. Not carrying inventory in the store (the stores have samples in each size only) frees our shop assistants from managing inventory in favor of spending time advising customers."

In addition, Costa explains how pop-up stores help the brand connect with customers emotionally: "Trust has always been a big challenge for online fashion retailers, since customers want to touch and try on products before they make their first purchase. Having physical locations helps us address this issue and engage with our customers in a deeper and more emotional way."

Offline to online conversion examples

Costa gives two examples of leveraging more traditional marketing channels: "We have used out of home (OOH) advertising in the past where we put a voucher code on billboards in a few prime locations. This code serves as a tracking tool and allows us to monitor the conversion from offline to online during the campaign.

Another example is when we open a pop-up store in Singapore, we partner with transportation apps like Grab (an online car hailing service in Southeast Asia) where we leverage geo-fencing technology to drive footfall to our store. During a promotion, customers using Grab to commute to an area near our pop-up store will receive an automated push notification with a voucher code from ZALORA inviting them to come to the store and make a purchase."

Localized delivery options crucial in Southeast Asia

"We have invested heavily in logistics and in our own warehouse and delivery fleet in most of our markets. Additionally, we have a strong partnership with convenience store chains like 7-Eleven, where customers can pick-up their orders. This allows us to boost customers' confidence in online shopping and make it a more viable alternative to brick-and-mortar stores."

Customer engagement and loyalty

ZALORA's target customers are 25 to 35-year-old young professionals. Costa explains how they build loyalty with this group: "The way we are engaging with them is mainly through mobile and social media. Since mid-2014 until now we've seen a very dramatic shift in traffic from desktop browsing to the mobile app, which now makes up more than 50 percent of our business. More than just a singular channel, we have found social media to be an important branding tool where we can have a two-way conversation with our customers, which is on one hand, providing customers with fresh, highly relevant content about our offerings, and at the same time, receiving feedback from customers in real-time and being able to quickly act on it."

Building consumer trust

Given the nature of online shopping, where consumers are buying products sight unseen, providing personal data online, and often paying in advance, having a brand and website that consumers trust is critical. Competitive prices or delivery options can be a deciding factor when potential customers are choosing a vendor, but at the end of the day consumers will only buy from websites they trust.

When we asked consumers about the attributes of the companies or websites they trusted most, over 50 percent cited websites that make it easy for customers to contact people

at the company (Figure 3.8). This was especially true in Canada, the UK and South Africa, where as many as 64 percent of consumers said it was a top trust factor.

Being open and honest about negative news and events ranked second among trust enablers, especially in China and Japan, where consumers were likely to say it was even more important than being able to contact people at the company. Having control over how their personal data is used was next most important to consumers, especially in North America, Europe and South Africa. Consumers in the BRIC (Brazil, Russia, India and China) countries were 25 to 50 percent more likely than the global

average to say they trusted companies that educated consumers about their products.

While most of these attributes are well within a company's ability to offer and manage, some of the most significant threats to maintaining customer trust come from outside of the organization. Regardless of how many attributes a company has that will earn the trust of their customers, not having the right systems in place to protect that trust can be catastrophical. At the top of that list, companies need to sufficiently protect consumer data and ensure the quality and safety of the products they manufacture or sell.

Figure 3.8

What do the companies that consumers trust most have in common?
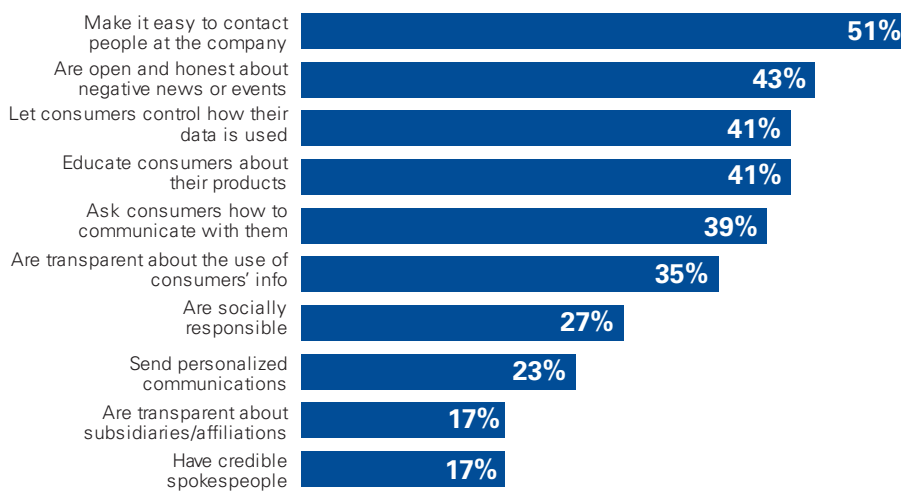
Source: Global Online Consumer Report, KPMG International, 2017

"CEOs are aware that providing a positive and unique experience is one of the biggest bases of competition that they can deploy. However, their greatest concern is around customer loyalty. Customers compare companies and expect the same level of experience from one to another, resulting in a perpetual increase in expectations. Companies want to provide relevant and meaningful experiences, but how to do that in a profitable way is the challenge."

— Julio Hernandez, Global Customer Lead, KPMG International

A breach in either of these areas can have serious and long-lasting consequences in terms of consumer trust. Particularly in an age of prolific mainstream and social media, news of a data breach or production quality issue can quickly spread out of control. Companies not aptly prepared to prevent or manage these risks can see their hard-earned trust and brand reputation extinguished overnight—sometimes beyond repair.

Are experience and trust enough to earn consumer loyalty?

While consumer trust can be the key to a company's success, the coveted prize is to win customer loyalty. Ideally, these customers not only develop an allegiance to a company, but they also become brand ambassadors, encouraging others to follow suit.

What makes consumers loyal to one company over another? Is a good experience and company trust enough to ensure they will return? When consumers were asked about the attributes of the companies they were most likely to be loyal to, by far the leading response (by 65 percent of respondents) was 'provides excellent customer support'.

When shopping in-store, people have certain service level expectations of staff attentiveness or product knowledge. In an online environment, however, most transactions are conducted with no personal contact or service at all. So when online retailers go the extra mile by reaching out to their customers—with an unexpected personal note or an extraordinary issue resolution, for example—it gets noticed.

Finding ways to provide exceptional customer support online can lead to customer loyalty in an online environment, where it can be difficult to stand out or be remembered.

Younger consumers are looking for more engagement

Younger consumers, looking to be treated as unique individuals, tend to be less impressed than the older consumers by excellent customer support, and slightly more impressed than their older counterparts with company offers that have a personal element, such as customized promotions, recognition across channels or an ability to anticipate needs (Figure 3.9).

Providing excellent consumer support, loyalty programs and benefits, and a forum for feedback, will all remain vital to earning the loyalty of customers across generations. However, in order to attract the younger consumers, companies need to offer more personalized interactions, more customized experiences and one-on-one engagement.
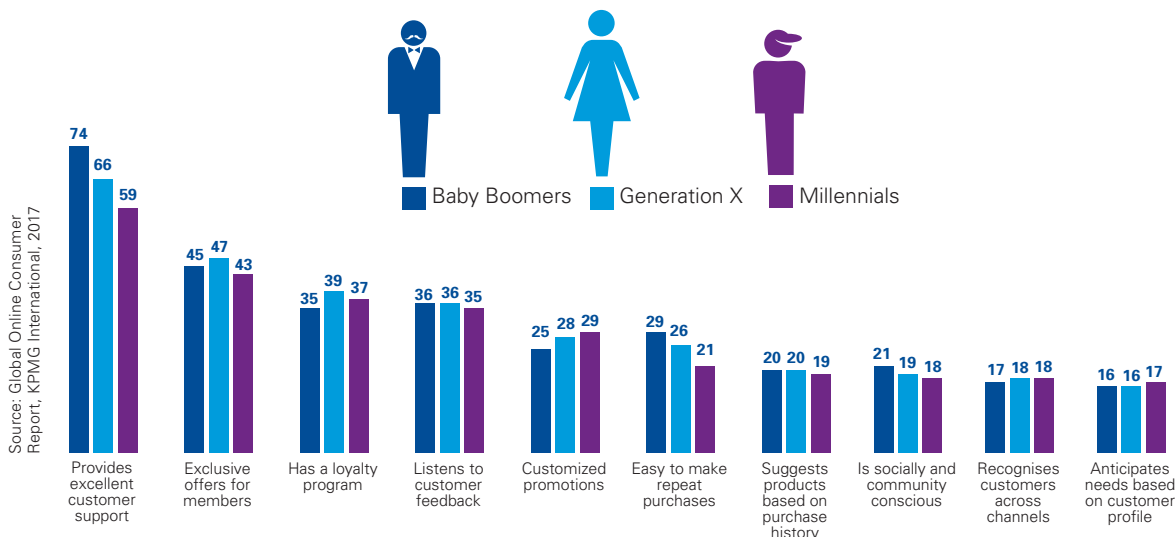
As Millennials become a larger proportion of the total consumer market, excellent customer support and loyalty benefits will become minimum expectations. Loyalty will be granted to those companies that make their customers feel like they are part of a community, and one where they feel important, unique and valued.

The bottom line is that to win and retain online customers, companies need to find cost-effective ways of providing the service and quality that customers expect, while keeping prices competitive. Consumers, depending largely on their country, culture or age, as well as on the type of product being purchased, will each be more or less willing to trade-off service or quality for price.

The companies that are able to identify and segment their target customers based on these factors, and develop product offerings and online strategies that are distinctly tailored for each unique market, will be truly poised to succeed in the online revolution.

Figure 3.9

Top ten attributes that drive customer loyalty — by generation (%)

Source: Global Online Consumer Report, KPMG International, 2017

Baby Boomers | Generation X | Millennials

Attribute	Baby Boomers	Generation X	Millennials
Provides excellent customer support	74	66	59
Exclusive offers for members	45	47	43
Has a loyalty program	35	39	37
Listens to customer feedback	36	36	35
Customized promotions	25	28	29
Easy to make repeat purchases	29	26	21
Suggests products based on purchase history	20	20	19
Is socially and community conscious	21	19	18
Recognises customers across channels	17	18	18
Anticipates needs based on customer profile	16	16	17

How KPMG can help

KPMG's Global Consumer Markets practice and Global Customer Center of Excellence work together to uncover the latest insights regarding the issues that consumer and retail businesses face, and the customers they serve. Our specialized industry teams have developed leading and innovative business strategies and solutions which are tailored to individual client needs. Utilizing these insights and solutions, KPMG member firm professionals leverage their deep consumer and retail experience to help companies achieve and maintain the competitive edge they need to succeed.

Customer strategy and digital innovation

We want to help you reduce costs and grow your enterprise. We'll work integrally with your business to define which innovative customer and digital propositions will drive enterprise value and optimum customer engagement.

Customer experience

We bring an outside-in perspective to help you understand what your customers are experiencing. By spotlighting your most critical customer journeys, underpinned by customer insights, we'll help you define relevant and engaging customer experiences to drive customer retention, positive word of mouth, services and, ultimately, sales.

Marketing sales and service transformation

The front office is being revolutionized by digital disruption and rising customer expectations. We can help you envision the ecosystems and platforms you can leverage and design customer-centric service processes.

Customer data and analytics

Understanding and leveraging your customer data is vital to business transformation. This starts with a master data management strategy which we'll help you define, alongside the governance and tools you'll need to manage data securely across your enterprise.

Customer technology solutions

The ecosystems of technology that are the backbone of your business are more important than ever. We can help you source, develop and integrate technology solutions to complement existing business capabilities and create commercial value.

A customer-centric organization

The edges of the organization are blurring and digital is revitalizing the way we want to engage in the workplace. We can help you create a modern, digitally enabled organization structured around your key customer journeys.

About the survey

KPMG International commissioned Intuit Research to conduct a survey of global online shoppers regarding their purchase behavior, purchase drivers, and perceptions and attitudes towards online shopping.

The sample consisted of consumers aged 15 to 70 years old who had made at least one online purchase in the past 12 months, and who were within the top 65 percent of income-earners in their country.

The survey was conducted using an online questionnaire. A total of 18,430 qualified responses were received from 51 different countries. Within each country, the sample was weighted to the same age distribution to ensure that country comparisons showed behavioral differences rather than those caused by differences in demographic make-up of the population surveyed in each country.

The full report can be downloaded online at www.kpmg.com/onlineconsumers.

About KPMG

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 152 countries and have 189,000 people working in member firms around the world.

KPMG is organized by industry sector across our member firms. The Consumer Markets practice comprises an international network of professionals with deep industry experience. This industry-focused network enables KPMG member firm professionals to provide consistent services and thought leadership to clients globally, while maintaining a strong knowledge of local issues and markets.

We work with consumer and retail clients to help them succeed in the face of a rapidly changing business environment. KPMG's customer, digital strategy, data analytics, cyber security, supply chain management, operations modeling and business transformation practices are a few of the areas in which we have industry-leading expertise and experience, which can help meet the most pressing needs of clients.

For more information, please visit kpmg.com.

About Intuit Research

Intuit Research is a market research consultancy that provides high quality research, business insights, and thought leadership services to clients in the financial, high tech, and consumer industries. The company operates from offices in Hong Kong and Singapore and has a team of highly experienced researchers that take a hands-on approach to design, execution, and interpretation of market research, bringing to clients the insights they require to make business decisions.

For more information, please visit www.intuit-research.com.

Contact us

KPMG International Contacts

Willy Kruh
Global Chair, Consumer Markets
KPMG International
wkruh@kpmg.ca

Joel Benzimra
Global Advisory Lead,
Consumer Markets
KPMG International
jbenzimra@kpmg.fr

Julio Hernandez
Global Lead, Customer COE
KPMG International
juliojhernandez@kpmg.com

Dan Coonan
Global Executive, Consumer Markets
KPMG International
daniel.coonan@kpmg.co.uk

Elaine Pratt
Head of Global Marketing,
Consumer Markets
KPMG International
epratt@kpmg.ca

KPMG Regional Contacts

Mark Larson
Americas Leader, Consumer Markets
KPMG in the US
mlarson@kpmg.com

Anson Bailey
ASPAC Leader, Consumer Markets
KPMG in Hong Kong
anson.bailey@kpmg.com

Jessie Qian
Head of Consumer Markets
KPMG in China
jessie.qian@kpmg.com

Rajat Wahi
Europe, Middle East and Africa Leader,
Consumer Markets
KPMG in India
rajatwahi@kpmg.com

kpmg.com/socialmedia

kpmg.com/app