



# E-COMMERCE IS GROWING

ARE YOU GROWING WITH IT?

Market and consumer trends to guide small and medium size businesses in Europe through economic uncertainty

**DHL Supply Chain**



# INTRODUCTION

By the end of 2019, e-commerce was a fast-growing business channel continuously evolving and adapting to ensure revenue growth and profitability of businesses of all sizes. For some organizations, an e-commerce strategy was a no-brainer. Implementing the right technology and effective supply chain solutions to ensure customer satisfaction and boost sales. For other organizations, adoption was slower and sometimes non-existent. But even in those cases, business leaders were aware e-commerce was inevitably on the horizon, however far they perceived it to be.

When the COVID-19 pandemic hit the world at the beginning of 2020, many businesses started to react and rethink their operations; first, ensuring the health and safety of employees and customers alike, and second acting quickly to guarantee their economic survival. And so began the accelerated growth of e-commerce, far beyond what any forecast would've predicted. According to a new IBM report, the pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years.<sup>1</sup>

From an economic perspective, e-commerce comes out as one of the winners during the pandemic. But its unprecedented progress has not come without growing pains. Demand fluctuations impacting successful e-fulfillment; efficient and safe last mile delivery options; or supporting customers' value and purpose-driven purchasing decisions, have meant small and medium businesses need to adapt to a continuously changing landscape rapidly.

Most of all, businesses implementing their e-commerce strategies will have to do so under the climate of uncertainty. While it's difficult to predict the future of retail post-COVID, one thing is certain: e-commerce will continue to grow and thrive. The real question is, will your business be growing with it?

<sup>1</sup> <https://techcrunch.com/2020/08/24/covid-19-pandemic-accelerated-shift-to-e-commerce-by-5-years-new-report-says>

# ABOUT THIS REPORT

We looked at industry reports, economic data, and company case studies to get a clearer picture of where we stand, what we can expect of a post-COVID recovery, and what organizations need to know to implement a reliable e-commerce solution successfully.

Uncertainty is still very much part of the story, particularly in European countries that currently experience a resurgence of cases.

**In this report, we wanted to learn:**

- What's the data telling us about the future of e-commerce post-COVID-19?
- What's the role of the e-commerce supply chain, and how is it impacting operations?
- What lessons can we learn from successful e-commerce implementations in the times of a pandemic?



## THREE KEY INSIGHTS

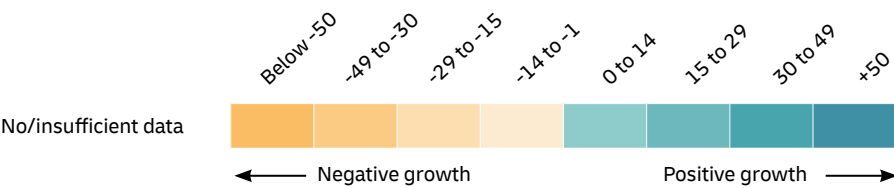
# 1. E-COMMERCE WILL CONTINUE TO GROW BEYOND THE ACCELERATED DEVELOPMENT CAUSED BY THE PANDEMIC

With a 19% growth worldwide in 2020<sup>2</sup>, the e-commerce market will continue this upward trend for years to come. There's still a varying degree of uncertainty about how consumers will revert to some of their previous shopping habits once governments ease restrictions or roll-out new vaccines.

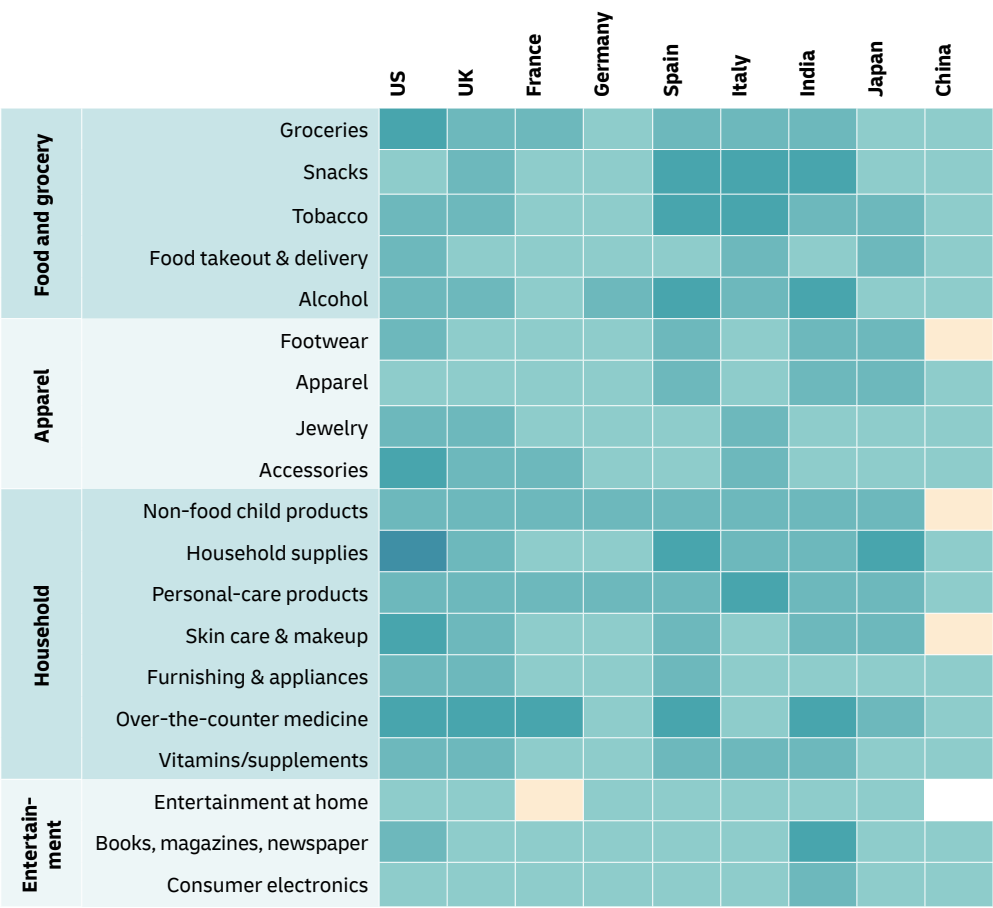
<sup>2</sup> <https://www.forbes.com/sites/johnkoetsier/2020/06/12/covid-19-accelerated-e-commerce-growth-4-to-6-years/?sh=38cc966600fa>



But what is certain is consumers are enjoying the convenience and flexibility of multiple ways of shopping, going further as shifting patterns of purchasing for various product categories.



CUSTOMERS PURCHASING CATEGORY ONLINE - % GROWTH

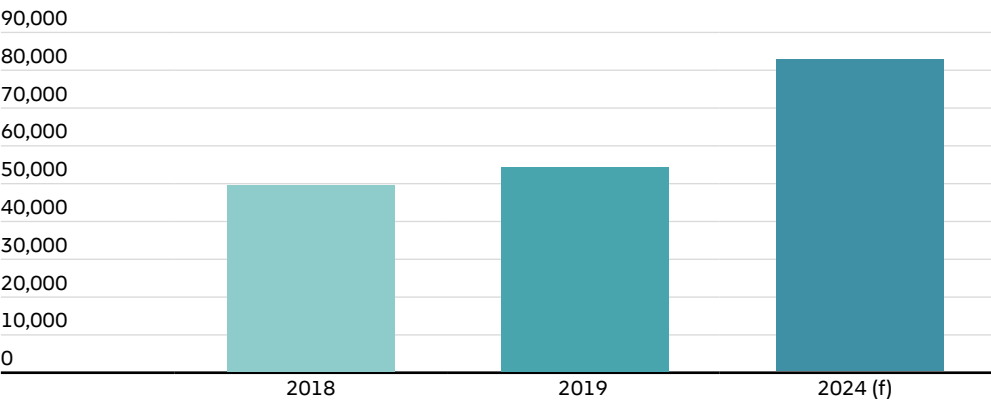


Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally in September 2020<sup>5</sup>

<sup>5</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19>



EUROPE E-COMMERCE MARKET SIZE €M (2018- 2024F)



	2018	2019	2024 (f) 'Low'	2024 (f)	2024 (f) 'High'
Market Size (€m)	50,013	55,408	72,011	81,633	91,254
Growth rate	-	11.1%	-	-	-
Nominal Compound Annual Growth Rate (CAGR)	-	-	5.4%	8.1%	10.5%

Taking a closer look at regional data, Europe experienced slower growth than the rest of the world, but the projected forecast shows an upwards trend (with a potential nominal 10.5% CAGR by 2024 as shown in the chart below). France, Germany, and the UK saw the most growth among the top e-commerce markets on the continent. These three countries also account for approximately two-thirds of cross-border e-commerce revenues.<sup>4</sup>

Source: Transport Intelligence - Global e-commerce Logistics 2020

<sup>4</sup> Transport Intelligence - Global e-commerce Logistics 2020





While a significant proportion of e-commerce growth comes from the larger players, businesses of all sizes are capitalizing on increasing consumer sentiment that places what IBM calls purpose-driven consumption as highly as value-driven one<sup>5</sup>. Convenience and pricing (the primary motivators for value-driven consumers) continue to be at the top of the list of what customers look for when buying online. However, how businesses approach sustainability, recycling and social responsibility (the primary motivators of purpose-driven consumption) comes in a close second in importance for many customers. For example, in France, 25% of survey respondents cited supporting local businesses as a reason to shop from new retailers.<sup>6</sup>

# 40 %

**Consumers surveyed have a “purpose-driven” approach to shopping, seeking products and brands that align with their lifestyle and those with health/wellness benefits.**

Source: IBM Report Meet the 2020 Consumers Driving Change

<sup>5</sup> <https://www.ibm.com/thought-leadership/institute-business-value/report/consumer-2020#>

<sup>6</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/survey-french-consumer-sentiment-during-the-coronavirus-crisis>



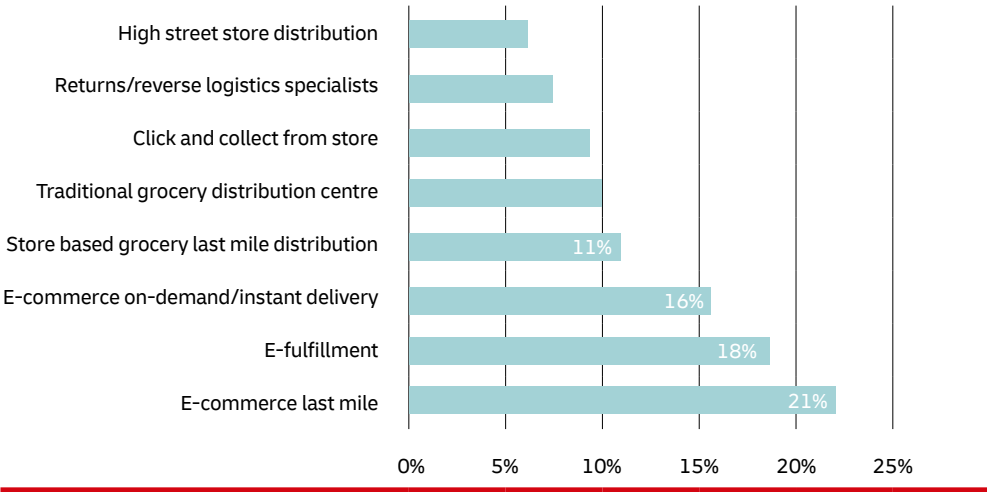
## 2. A ROBUST LOGISTICS SOLUTION IS JUST AS ESSENTIAL FOR THE SUCCESS OF ANY E-COMMERCE STRATEGY AS TECHNOLOGY IMPLEMENTATION

New buying behaviors require an e-commerce supply chain that supports retail businesses to provide the online shopping experience that gives customers value for money. That is why logistics service providers give increasing importance to e-commerce last-mile delivery and e-fulfillment, as the retail logistics services with the highest demand post-crisis.



A comprehensive logistics strategy that considers all operational efficiency and technology innovation aspects can support retail businesses’ e-commerce growth. An important success factor is to consider the logistics strategy in the early stages of e-commerce implementation. A solid logistics strategy can optimize operational capabilities and total logistics cost savings - an inherent driver to price competitiveness (and a crucial element in that value-driven consumer behavior).

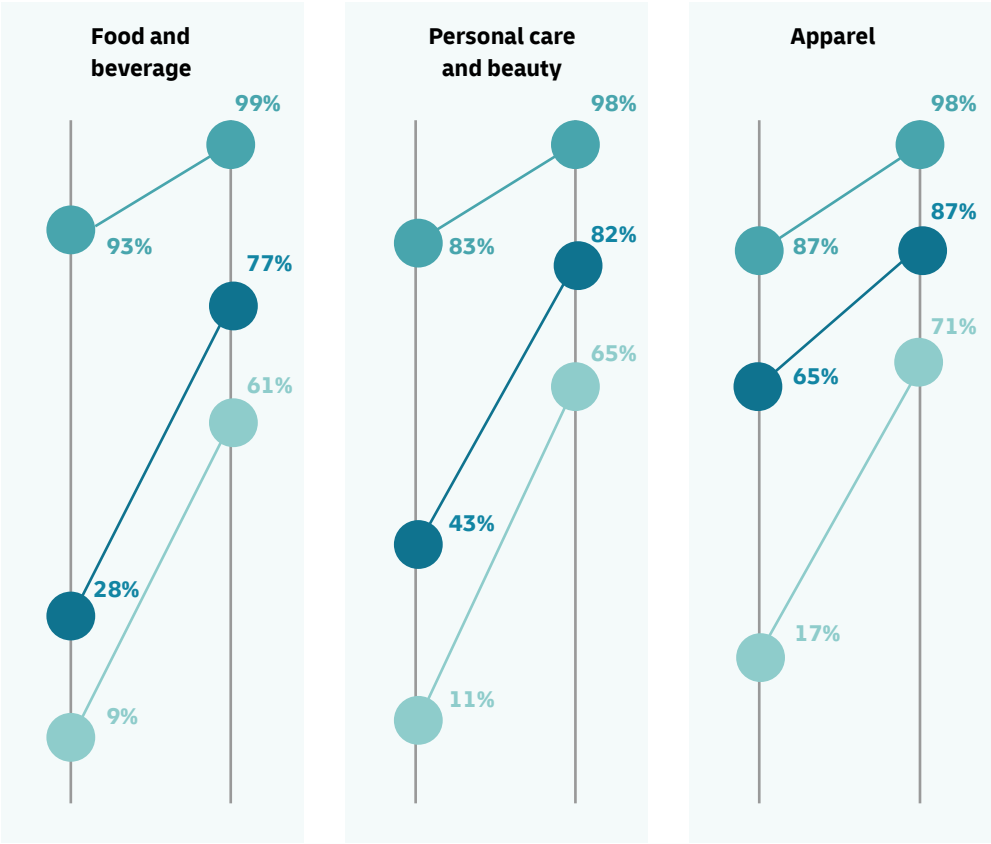
**LOGISTICS SERVICES IN GREATEST DEMAND AFTER COVID-19 CRISIS**



Source: Transport Intelligence - Global e-commerce Logistics 2020



CHANGE IN SHOPPING PREFERENCES ACROSS PRODUCT CATEGORIES (2014-2019)



Logistics service providers can also enhance customer experience by providing flexibility in how, when and where deliveries will arrive. The graph shows this aligns well with changes in consumer preferences over the past five years.

For instance, consumers in European countries have adopted alternative fulfillment methods such as BOPIS (Buy Online, Pickup In-Store), sometimes known as “click and collect.” In Germany, 53% of consumers intend to continue using this method post-COVID, while in France, the number is 67%.

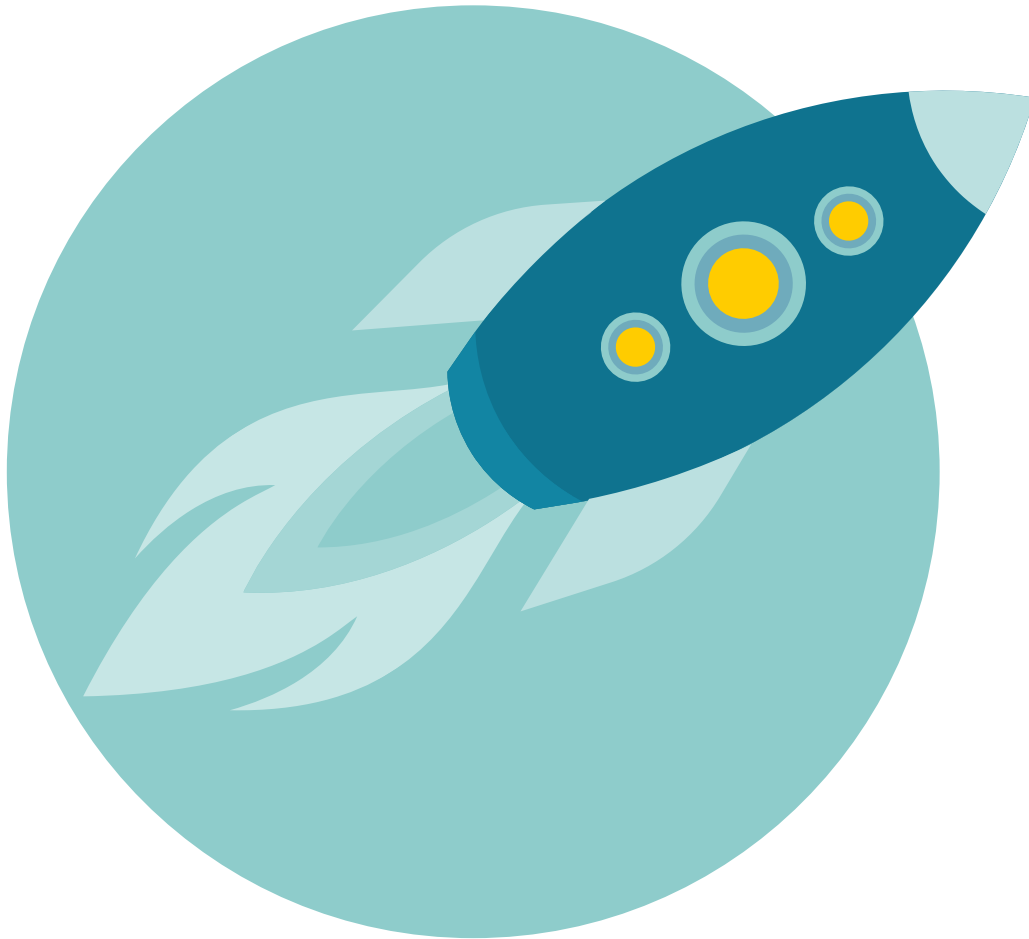
Source: IBM Report Meet the 2020 Consumers Driving Change



### 3. AS CONSUMER SENTIMENT CONTINUES TO SHIFT IN THE CURRENT CLIMATE, AGILITY WILL BE CRUCIAL

Data-driven decisions to implement and adapt any e-commerce solution are even more critical in a climate of restrictions and a pessimistic economic outlook. With the resurgence of cases in the second half of the year, consumers in most European countries continue to be cautious over finances as the post-COVID recovery remains elusive. However, this level of caution has not deterred consumers in countries like Germany and France, who continue to adopt new shopping behaviors during this period and intend to carry them over beyond the pandemic recovery.





The question most businesses would ask is how to ensure a successful e-commerce implementation amid the uncertainty. One European retailer with no e-commerce presence whatsoever set out to answer this question with compelling, outstanding results. After 13 weeks from the plan's kick-off, it had a functioning e-commerce business that proved highly successful from the first month of launch.<sup>7</sup>

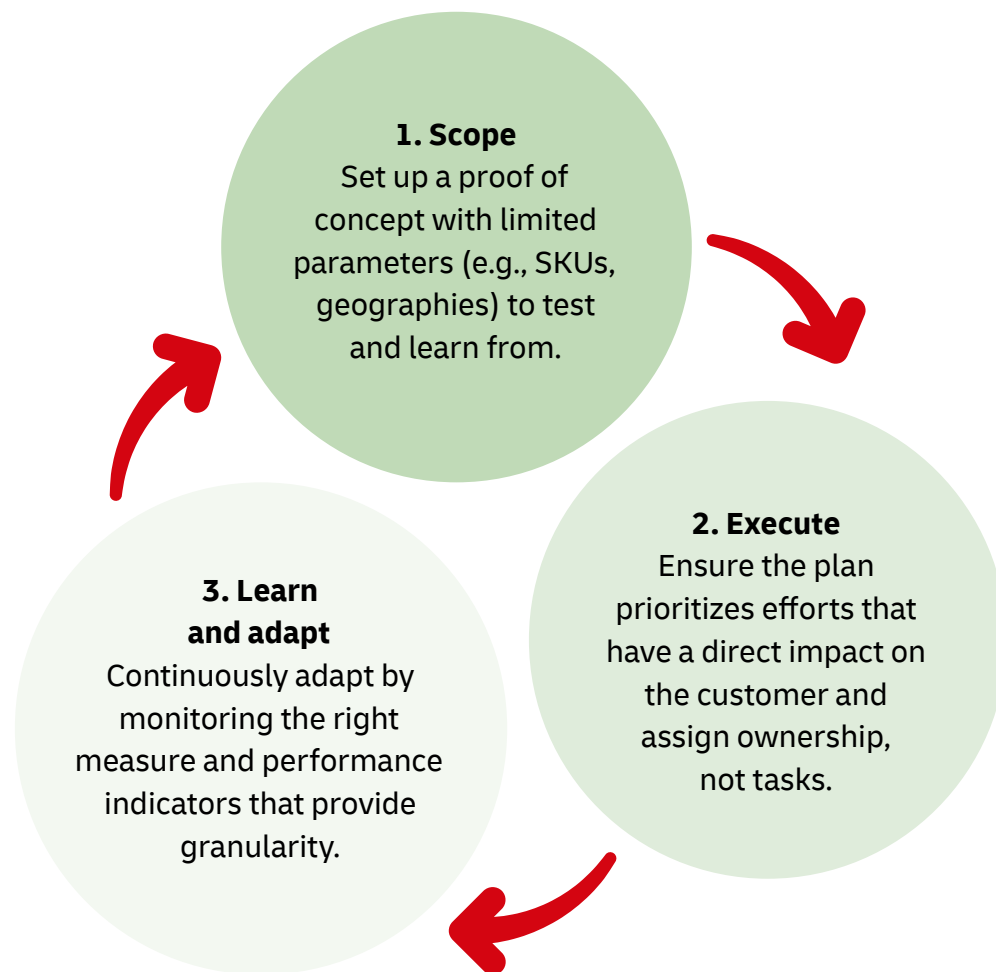
“Pragmatic agility” is a good way to attribute the success of the organization's e-commerce strategy. Through this approach, the company narrowed the scope of that initial launch to limited offerings and geographies, then took the learnings from that exercise to scale rapidly. A limited-scope proof of concept can be a practical first step for other retail businesses towards a successful e-commerce strategy rather than a full-blown digital transformation.

A European Asian food and beverage B2C brand and web store provides another example of the benefits of this approach. The company leveraged on their logistics partner's operational capabilities and expertise to implement their e-commerce strategy fast, starting with its initial launch in Germany. After this successful implementation, and supported by a distributed footprint of e-commerce sites, last mile services and speed of delivery, the company is also rapidly scaling to other European markets.<sup>8</sup>

<sup>7</sup> <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/building-an-e-commerce-business-lessons-on-moving-fast>

<sup>8</sup> The Fulfillment Playbook | DHL Supply Chain





McKinsey research<sup>9</sup> found that half of the companies in the top 10% of revenue growth are more effective than their industry peers at testing ideas, measuring results and executing changes to products, services and ways of working.

These capabilities help retail organizations to succeed in e-commerce project implementations and create shopping experiences that delight customers. The research adds how nearly half of the best-performing companies collect and analyze customer data at least weekly, compared with just 16 percent on average.

<sup>9</sup> <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/think-fast-how-to-accelerate-e-commerce-growth>



## SPOTLIGHT

# THE CHALLENGE OF DATA-DRIVEN CUSTOMER EXPERIENCE

Retail businesses recognize the power of technology to enhance the customer experience. Big data analytics, combined with artificial intelligence and machine learning algorithms, can transform logistics through the power of data-driven insights<sup>10</sup> and deliver tailored shopping experiences to consumers.

87%

Consumers who say it's important they can find what they need to get in and out of the store fast<sup>11</sup>

56%

Consumers who say they won't shop with a retailer following an unsatisfactory delivery experience<sup>12</sup>

Having control over customer data to enable these data-driven decisions and enhance their experience is beginning to drive many retailers away from marketplaces to establish their own platforms. Many retailers have benefited from retail marketplaces, but with decisions from these platforms to deprioritize certain categories of products and usage of third-party data, businesses are beginning to look for alternatives.

End-to-end supply chain visibility is another pillar of technology driving an enhanced customer experience for many retailers. Blockchain and other distributed ledger technologies (DLTs) promise, among other applications, to ensure product transparency and traceability.<sup>13</sup> With more consumers making purpose-driven purchasing decisions, providing products that align with their values will significantly add value to the shopping experience.

<sup>10</sup> [https://dhl.lookbookhq.com/supply-chain-insights/business-brief\\_the-supply-chain-of-the-future-today?lx=Y-Pbsj](https://dhl.lookbookhq.com/supply-chain-insights/business-brief_the-supply-chain-of-the-future-today?lx=Y-Pbsj)

<sup>11</sup> <https://www.ibm.com/thought-leadership/institute-business-value/report/consumer-2020#>

<sup>12</sup> <https://www.accenture.com/be-en/insights/retail/holiday-research-2020>

<sup>13</sup> <https://www.dhl.com/global-en/home/insights-and-innovation/insights/blockchain.html>



## SPOTLIGHT

# SUSTAINABILITY AT THE FOREFRONT OF RESPONSIBLE RETAIL BUSINESS PRACTICES

With global trade and e-commerce driving increased parcel volumes, sustainability becomes a critical area of scope for retailers and logistics service providers.

Fuel-efficient vehicles for long-haul transport, electric vehicles for last-mile delivery, eco-sustainable facilities<sup>14</sup> are at the forefront of responsible supply chain practices.

Sustainable packaging solutions are also an increasingly important aspect of sustainable logistics.<sup>15</sup> Innovation and technology will drive the packaging of the future, where eco-friendly and cost-effectiveness are not mutually exclusive.

Consumer sentiment back this trend for sustainable logistics. IBM's study also states that over 7 in 10 consumers say it's at least moderately important that brands offer "clean" products (78%), are sustainable and environmentally responsible (77%), support recycling (76%), or use natural ingredients (72%).



<sup>14</sup> <https://www.dhl.com/global-en/home/insights-and-innovation/thought-leadership/trend-reports/green-energy-logistics.html>

<sup>15</sup> <https://www.dhl.com/global-en/home/insights-and-innovation/thought-leadership/trend-reports/rethinking-packaging.html>



# THE FUTURE OF E-COMMERCE

Whether a business with big numbers or big aspirations, it is imperative for retailers to have a solid e-commerce strategy that responds to new shopping behaviors from consumers in response to the Covid-19 crisis.

The yearning to return to a certain level of normalcy is there, but consumers have also demonstrated an intent to continue consuming through these new shopping habits. The data proves there is really no going back to things as they were.

As a business, having the right logistics infrastructure and operations will be crucial to provide a seamless customer experience, ensure total logistics cost savings, and, more importantly, rapid response and resilience. Operational agility has significant strategic advantages in establishing competitiveness and quickly adapting to changing social and economic climates.

And at the end of the day, it's all about delivering a data-driven, impactful customer experience that delights current and future customers in continuing to support the business through their purchases.



The future of retail is right here  
and e-commerce is the gateway.  
Are you ready?

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