Winning Formulas for E-Commerce Growth

REPORT OVERVIEW

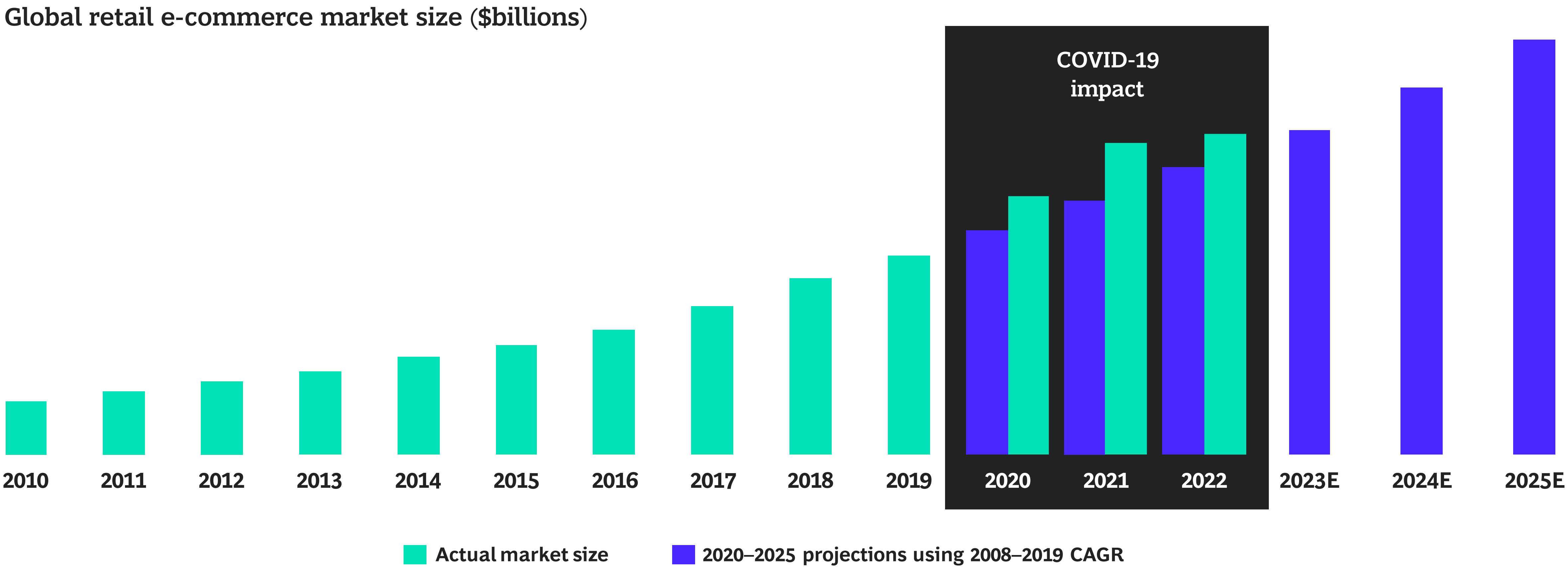
Our Survey Comprised 825 Respondents, of Which 50% Were CPG Companies and 50% Were Retailers

	SUBCATEGORY	NUMBER OF RESPONDENTS
Retail	Grocery	112
	Fashion and luxury retail	109
	Specialty retail	107
	Multi-category	82
	Total	410
Consumer packaged goods	Food and beverage	148
	Beauty and wellness	128
	Household products	122
	Other	16
	Total	415

COUNTRY	NUMBER OF RESPONDENTS
US	90
UK	90
Germany	75
France	75
Italy	75
Nordic countries	70
Brazil	70
Mexico	70
Thailand	70
Indonesia	70
South Korea	70
Total	825

Source: BCG's Worldwide E-commerce Survey 2023.
Note: Analysis resulting from survey based on declarative data and aggregated to show global results, independent of retail categories.

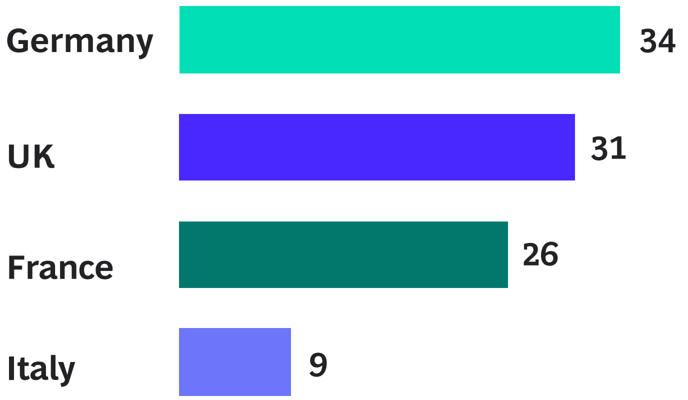
E-commerce acceleration slowed in 2021–2022 but is returning to its long-term trend line



Source: Euromonitor.
Note: Growth is worldwide and includes all categories and all retail and CPG e-commerce distribution types (pure, specialty, and grocery players).

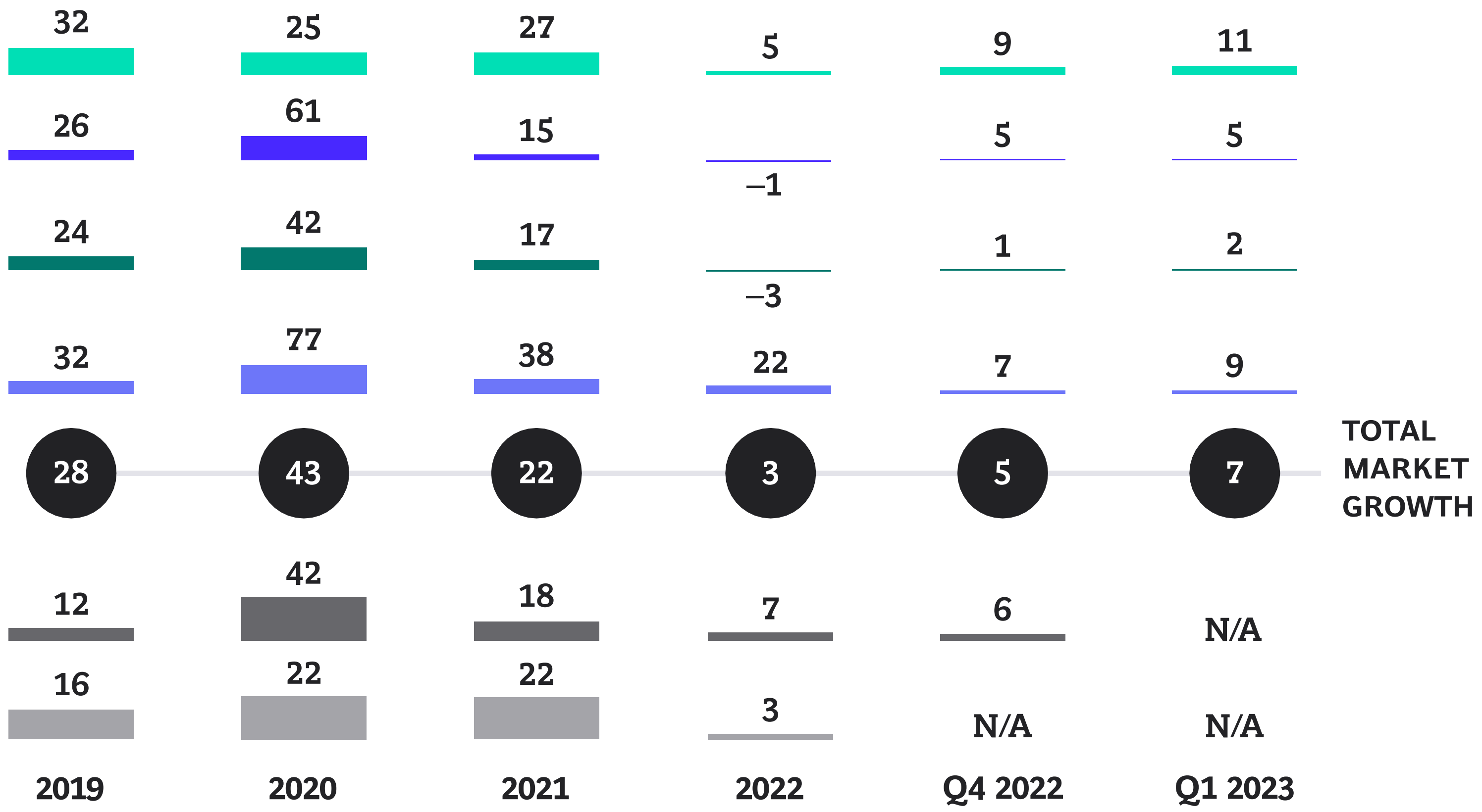
An e-commerce rebound began at the end of 2022, with rising growth in Europe, the US, and Asia

Split of sales in four European countries (%)



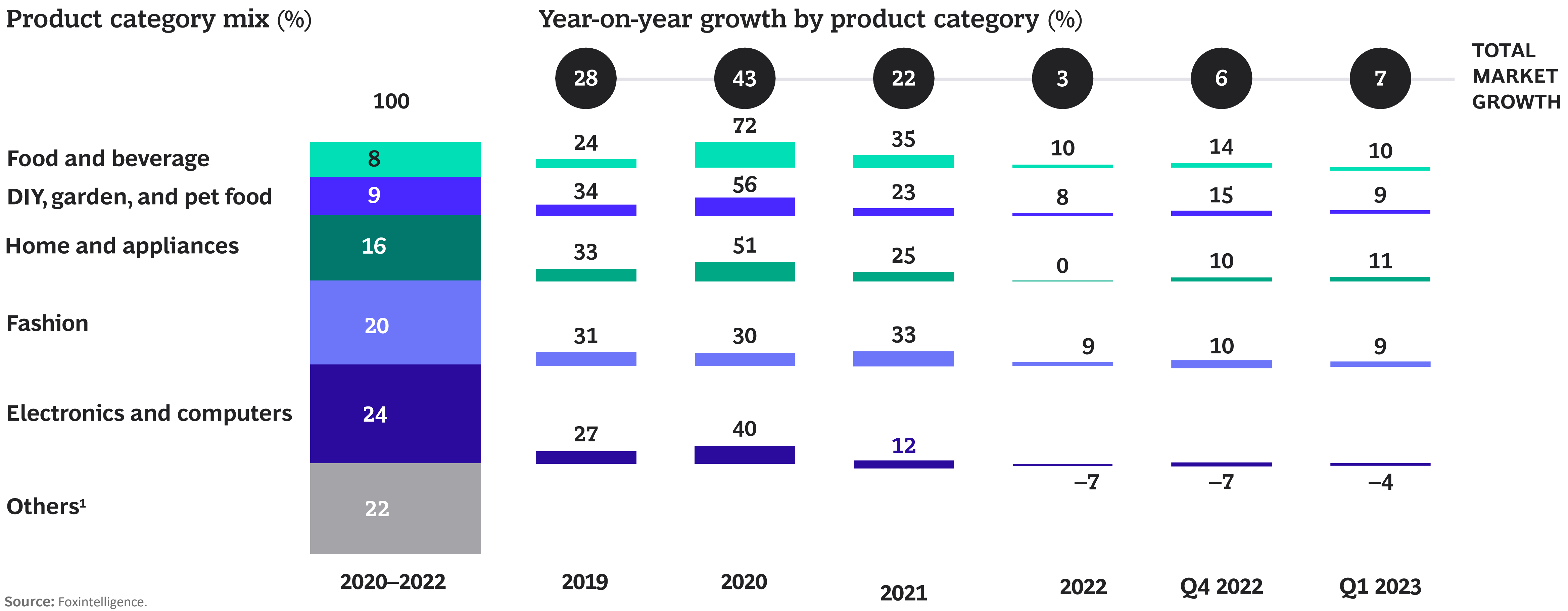
Split of sales in US and Asia (%)

Year-on-year online sales growth (%)



Source: Foxintelligence.
Note: E-commerce includes both retail and CPG companies.

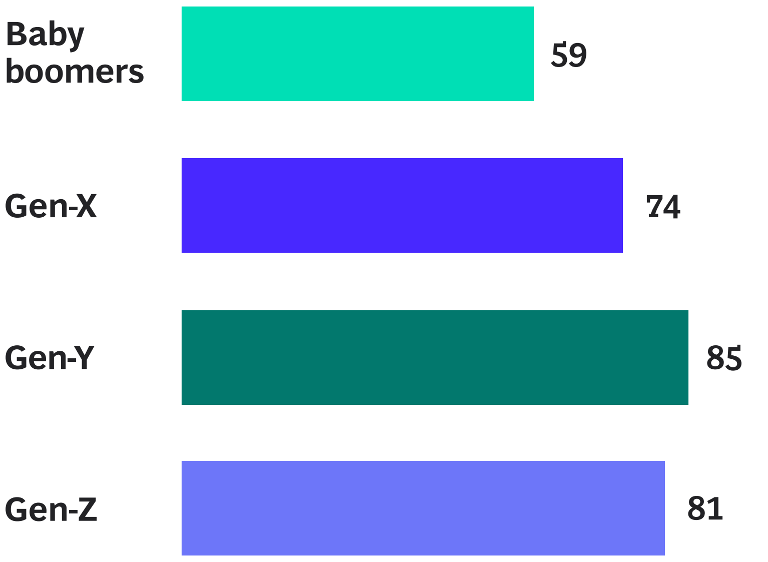
European e-commerce increased 3% in 2022, with all industries showing growth except electronics



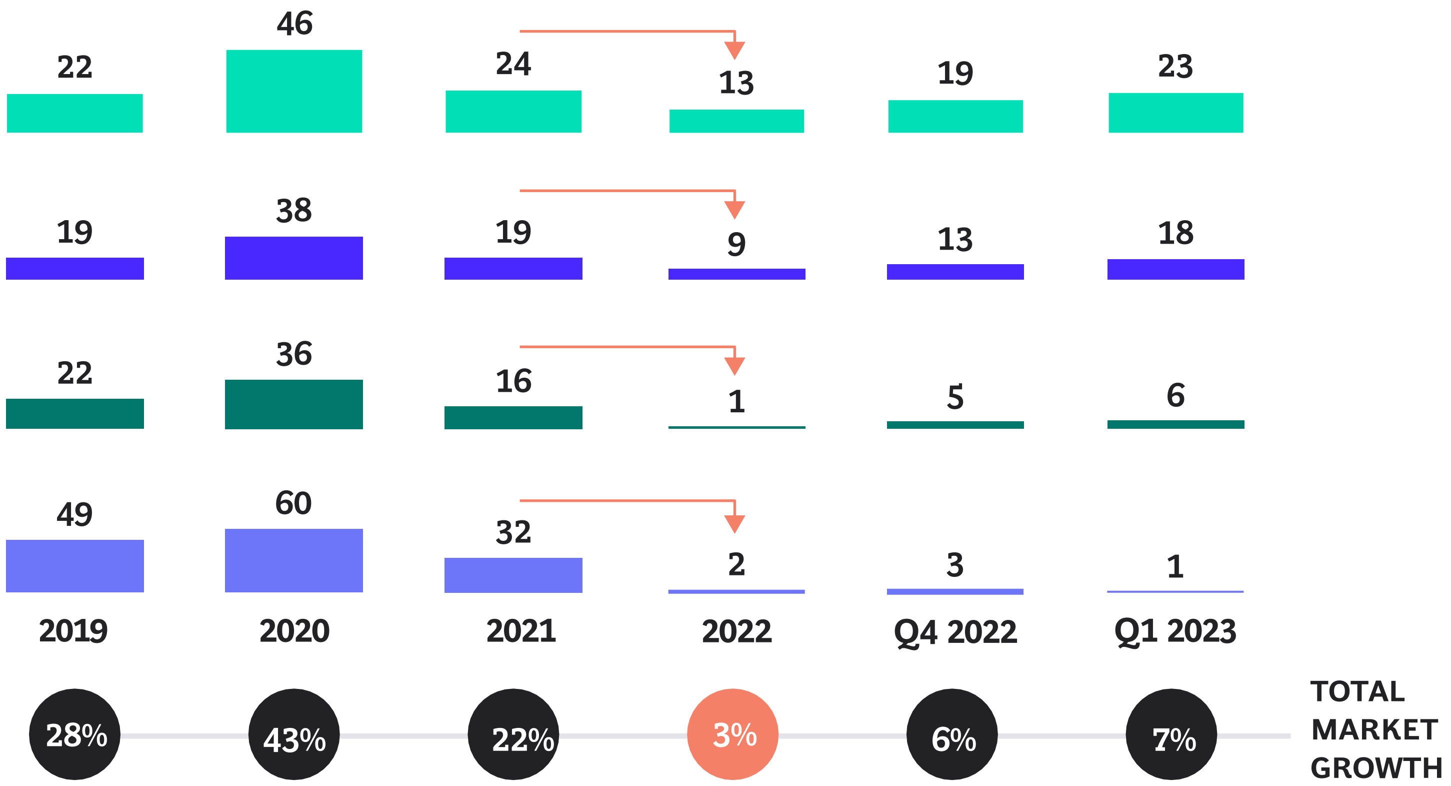
Source: Foxintelligence.
Note: E-commerce includes both retail and CPG companies.
[1]Household and cleaning products, culture and games, beauty and wellness, sports and auto, and baby products.

The rebound in Europe is driven by baby boomers and Gen-Xers, as e-commerce penetration is already high for younger generations

E-commerce penetration by generation (%)

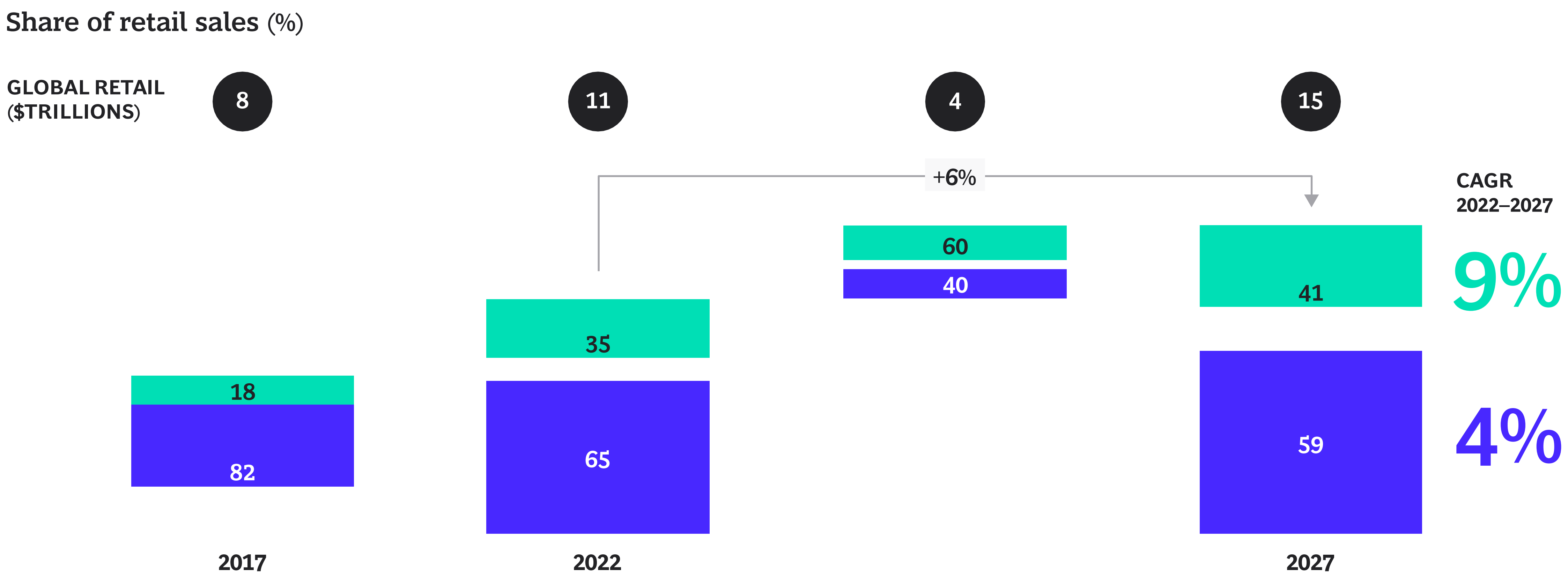


Year-on-year growth of online sales by generation (%)



Source: Foxintelligence; Eurostat.
Note: Baby boomers = born 1946–1959; Gen-X = 1960–1979; Gen-Y = 1980–1994; Gen-Z = 1996 onward; the breakdown of generations by year of birth is slightly different between the two sources. E-commerce includes both retail and CPG companies.

E-commerce to lead global retail sales growth by 2027



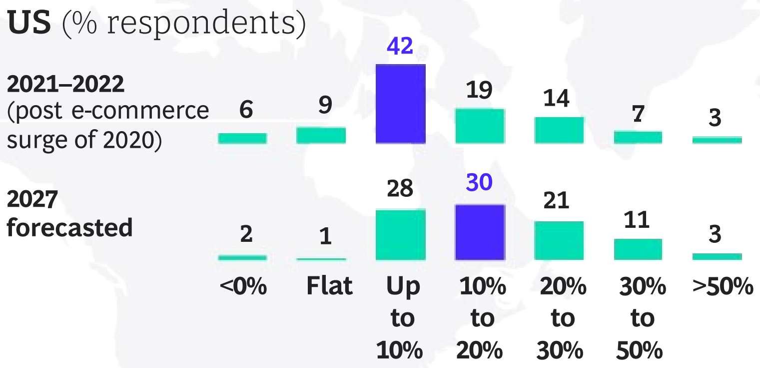
Sources: BCG's Worldwide E-Commerce Survey 2023; Foxintelligence; Edge by Ascential.
Note: E-commerce includes both retail and CPG companies.

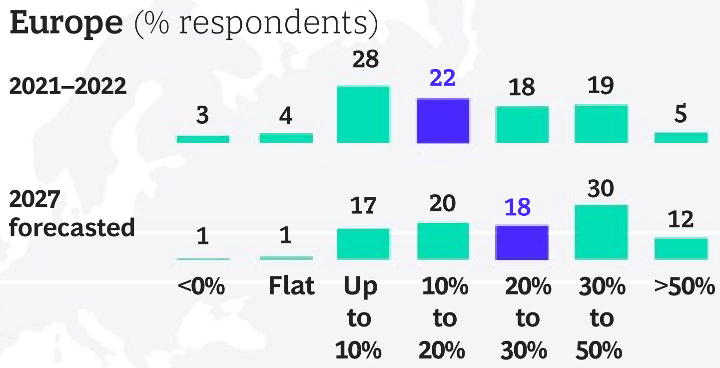
Survey respondents showcase confidence about the future growth of e-commerce to 2027, especially in Asia and Latin America

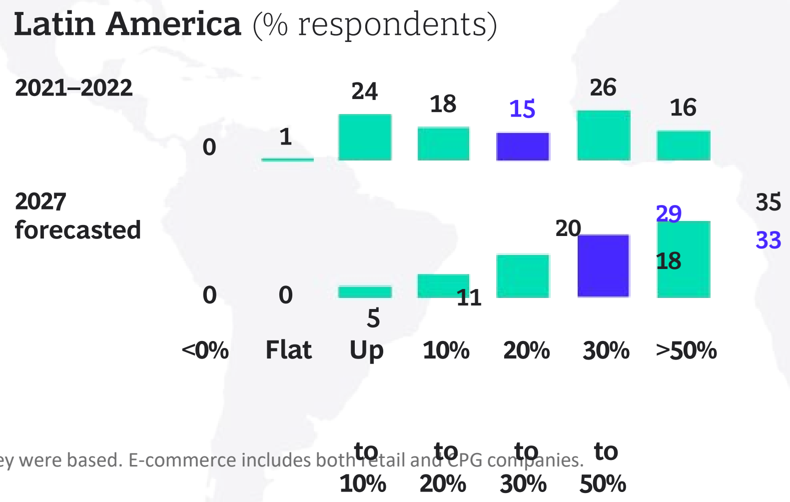
What has been the historical growth of your e-commerce sales post-COVID-19? (annual growth over 2021–2022)

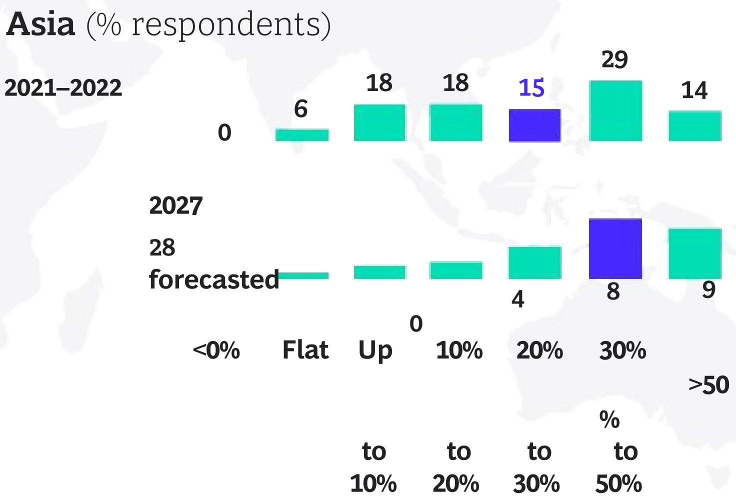
What is the forecasted growth of your e-commerce sales until 2027?

Median position







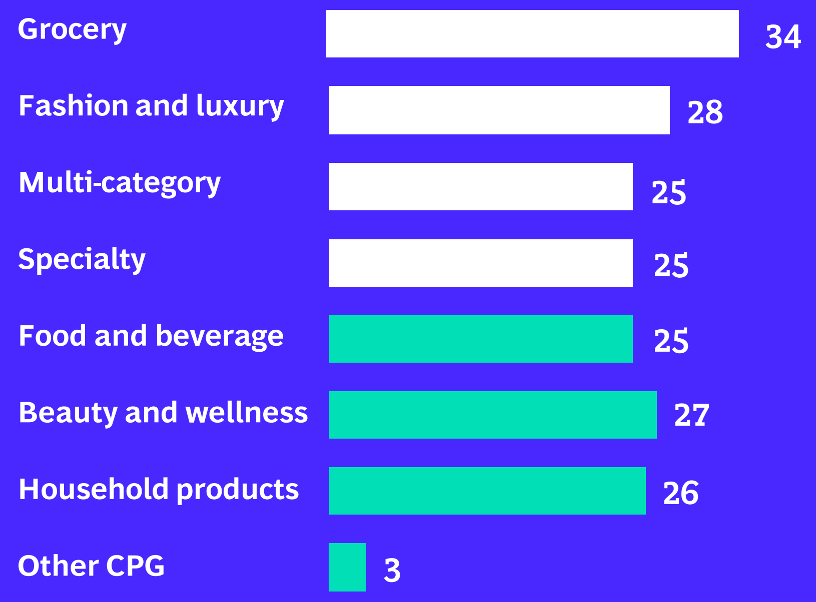


Source: BCG's Worldwide E-commerce Survey 2023.
Note: Survey respondents gave their confidence level for the region in which they were based. E-commerce includes both retail and CPG companies.

Survey respondents can be categorized into winners and laggards

Winners

- No slowdown following the 2020 surge in e-commerce: 2021–2022 growth above 30%
- Confident for same or higher growth to 2027



112 retailers

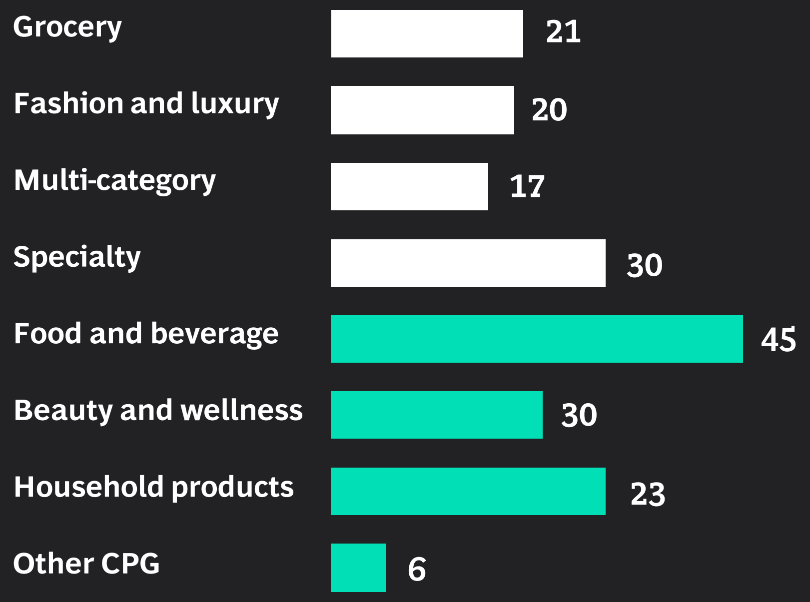
(27% of retail respondents)

81 CPG companies

(20% of CPG respondents)

Laggards

- 2021–2022 growth growth negative, flat, or up 10% or less
- Not confident about the future



88 retailers

(21% of retail respondents)

104 CPG companies

(25% of CPG respondents)

Source: BCG's Worldwide E-Commerce Survey 2023.
Note: The period following the initial pandemic acceleration in e-commerce refers to January 1, 2021 to December 31, 2022.

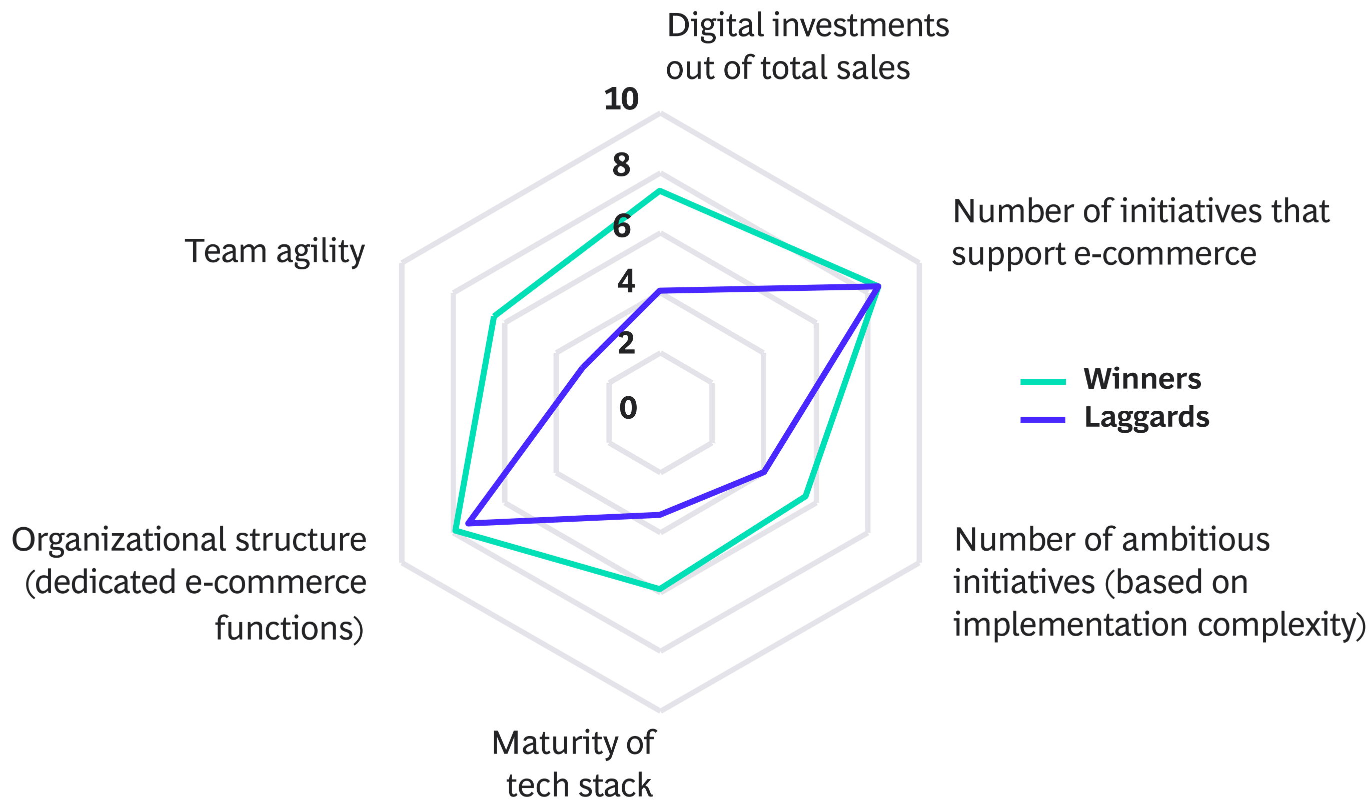
Several criteria determine the maturity level of each respondent

Maturity criteria	**Digital investme nts out of total sales**	**Number of initiatives supportin g e-commerc e**	**Number of ambitious initiatives**	**Maturity of tech stack**	**Organization al structure**	**Team agility**
Calculation methodology	The percentage of respondents declaring that their organization invests more than 10% of total sales in digital technology	The percentage of initiatives undertaken by respondents out of the total number of initiatives listed in the survey	For each organization, the percentage of respondents saying… …in retail, that the organization has three or more initiatives considered ambitious …in CPG, that three or more of the most complex initiatives were undertaken	The percentage of respondents in each organization saying… …in retail, the number of tech components in place …in CPG, the type of data and digital platforms in place	For each organization, the percentage of respondents stating… …in retail, the number of functions dedicated to e-commerce out of the ten proposed in the survey …in CPG, that e-commerce teams are integrated into (not separated from) traditional channels	The percentage of respondents declaring that their organization's e-commerce teams are agile and cross-functional across categories

Source: BCG.

Retail winners invest more in e-commerce, have more agile structures, more ambitious initiatives, and more tech focus

Composite scores across key dimensions



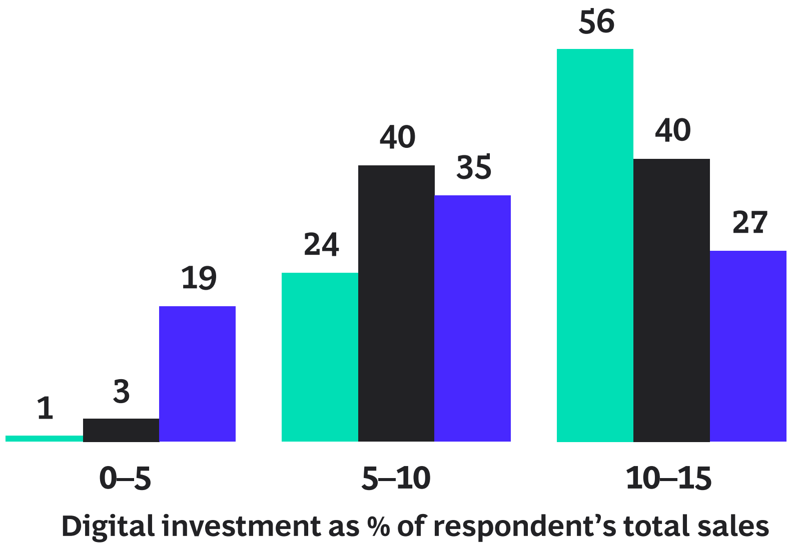
Source: BCG's Worldwide E-Commerce Survey 2023.
Note: Analysis resulting from survey based on declarative data and aggregated to show global results, independent of retail categories.

- Retail winners tend to invest heavily in e-commerce (over 70% invest more than 10% of revenues versus just 40% of laggards).
- Many winners focus on the ambition level of their e-commerce initiatives (a 10 percentage-point difference compared to the laggards) rather than the quantity.
- Winners have generally deployed more tech-stack components. And they have heavily employed third-party e-commerce platforms to do so (a 20 percentage-point difference compared to the laggards).
- Winners and laggards have relatively similar e-commerce teams, yet winners are ahead of laggards on agility (64% of winners have fully agile teams versus 30% of laggards).

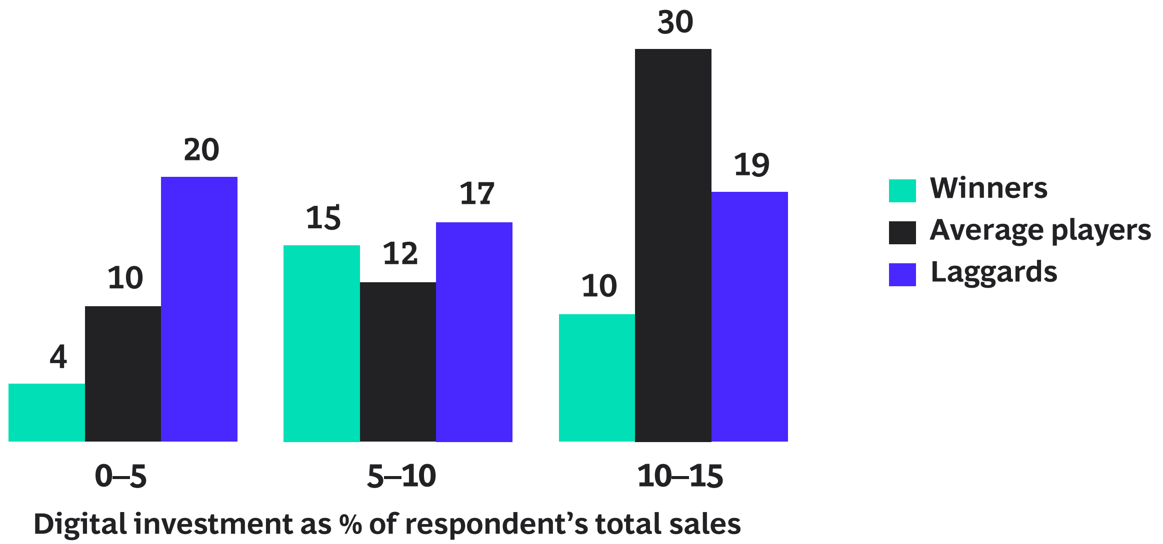
INVESTMENTS

Retail winners heavily invest in digital and e-commerce and scale back brick-and-mortar investments

Businesses investing a given amount of their sales in digital and e-commerce (% of respondents)



Businesses investing a given amount of their sales in brick and mortar (% of respondents)



WINNERS VS. LAGGARDS	–18pp	–11pp	+29pp	–16pp	–2pp	–9pp

Source: BCG's Worldwide E-Commerce Survey 2023.
Note: For example, just 1% of winners invest an amount equal to 0% to 5% of their sales in digital, vis-à-vis 3% of average players and 19% of laggards. In contrast, 56% of winners invest 10% to 15% of their sales in digital vis-à-vis 40% of average players and just 27% of laggards.

E-COMMERCE INITIATIVES

Retail winners prioritize sophisticated initiatives while laggards focus on basics

Top five retail winner initiatives by differential

	Initiative	Winners vs. laggards	Winners that implemented the initiative (%)	Where initiative is primarily implemented
● 1	**Promotions strategy:** Boost e-commerce promotion plans	10pp	64	Grocery
2	**Assortment strategy:** Improve the launch plan and assortment	9pp	51	Multi-category
● 3	**Pricing strategy:** Revamp pricing strategy (and potentially differentiate it from offline)	9pp	51	Multi-category
4	**Dynamic content:** Create dynamic website content using consumer data	13pp	48	Multi-category
● 5	**Disruptive tech (including generative AI, augmented services, Web3):** Introduce virtual try-on, interactive product demos, and product training, using AR or VR	26pp	44	Grocery

● Initiative considered sophisticated by over 25% of respondents

Top five retail laggard initiatives by differential

	Initiative	Winners vs. laggards	Winners that implemented the initiative (%)	Where initiative is primarily implemented
● 1	**SEO:** Optimize the website for search engines	28pp	59	Grocery
2	**E-mail marketing:** Segment lists and send personal messages based on subscriber behavior and preferences	17pp	56	Fashion and luxury
3	**Delivery options:** Offer a range of delivery options	10pp	48	Fashion and luxury
● 4	**Social monitoring:** Monitor social media for brand mentions, run consumer feedback and sentiment analysis	10pp	42	Multi-category
● 5	**Basic analytics:** Use website analytics to track traffic, user behavior, and engagement	17pp	40	Multi-category

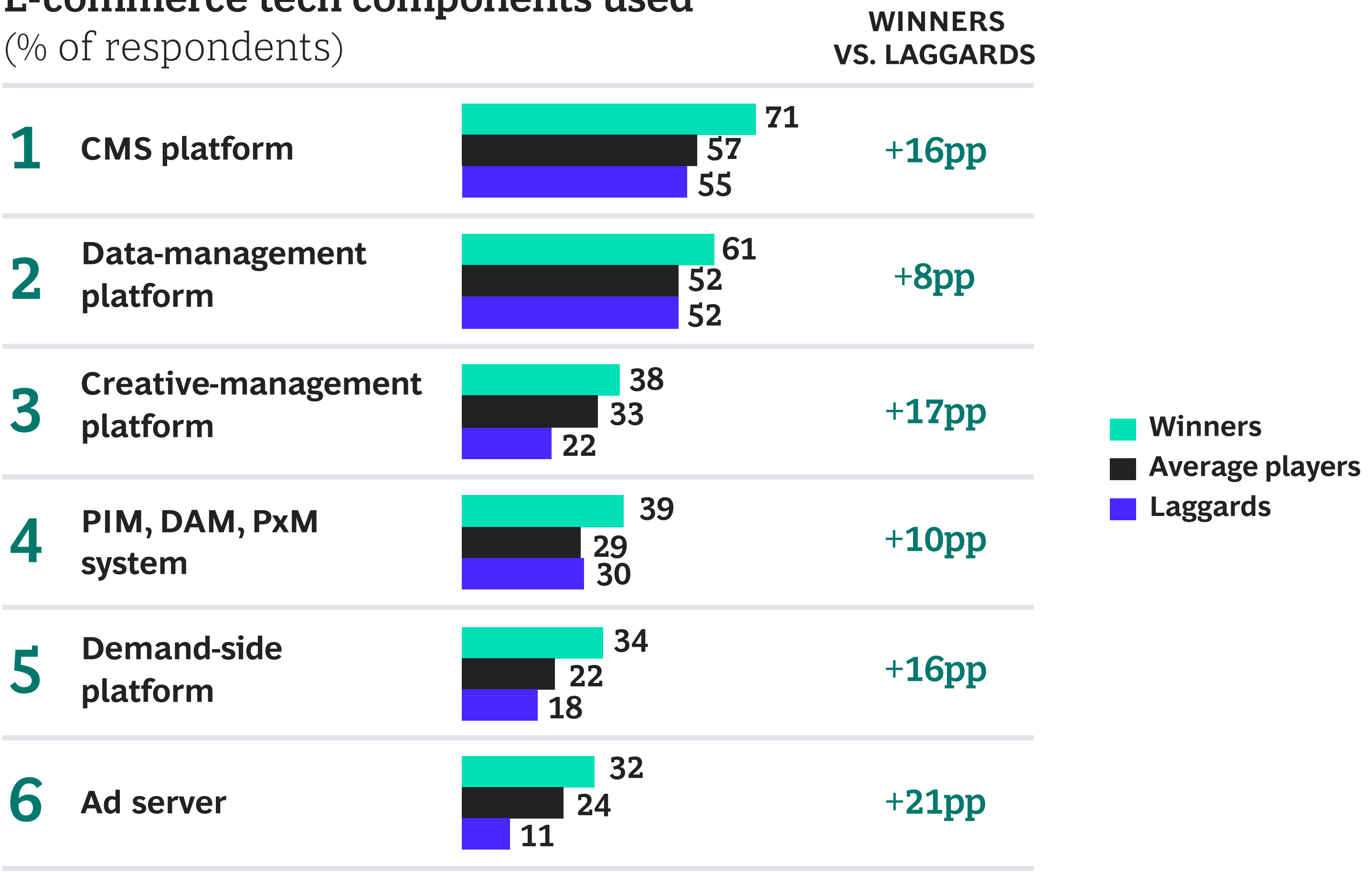
● Initiative not considered difficult by over 85% of respondents

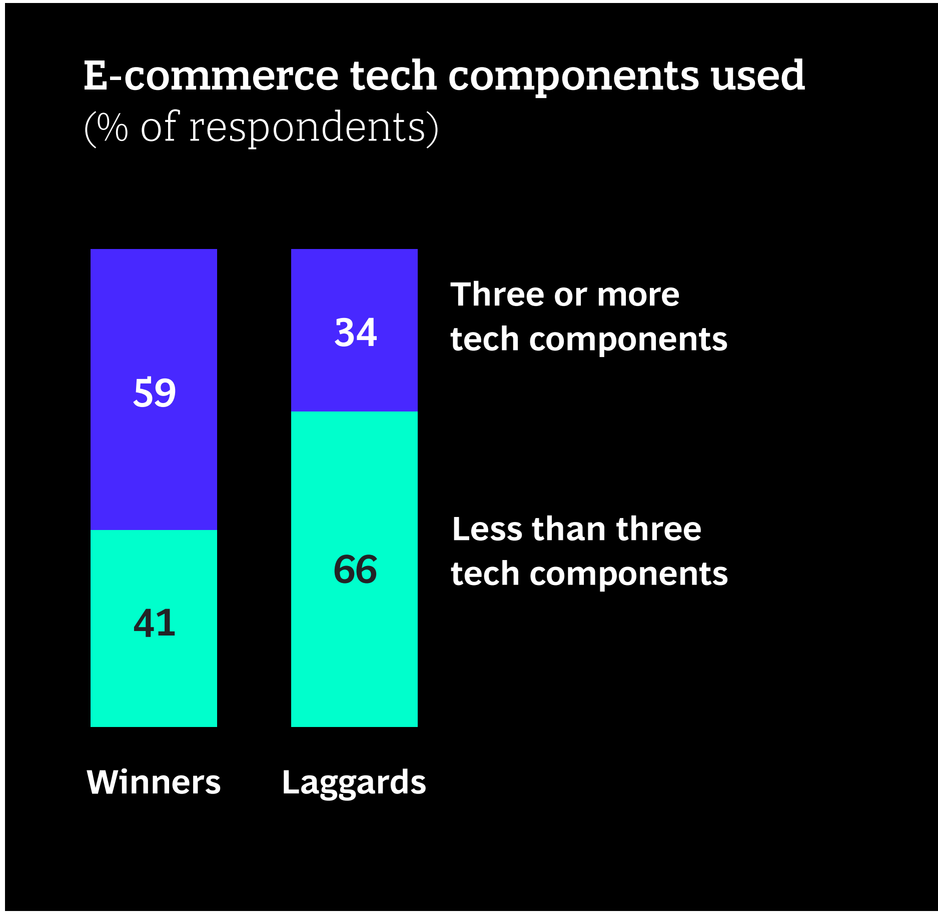
Source: BCG's Worldwide E-Commerce Survey 2023.
Note: Analysis resulting from survey based on declarative data and aggregated to show global results, independent of retail categories.

TECH STACK

Winners are using more advanced e-commerce technology than laggards

E-commerce tech components used
(% of respondents)



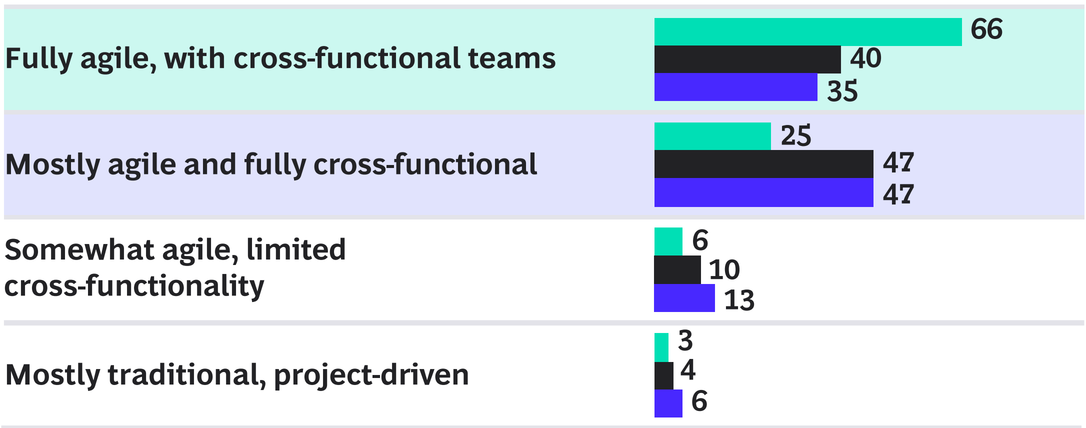


Source: BCG's Worldwide E-Commerce Survey 2023.
Note: CMS = content management system; PIM = product information management; DAM = digital asset management; PxM = produce experience management.

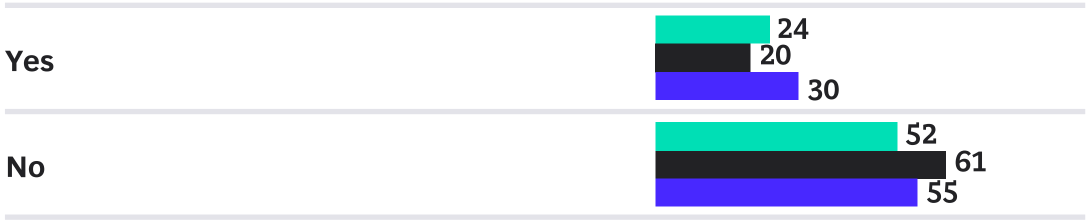
TEAM AGILITY

Many winners’ e-commerce teams have adopted fully agile ways of working, have full decision-making power, and manage digital and technology

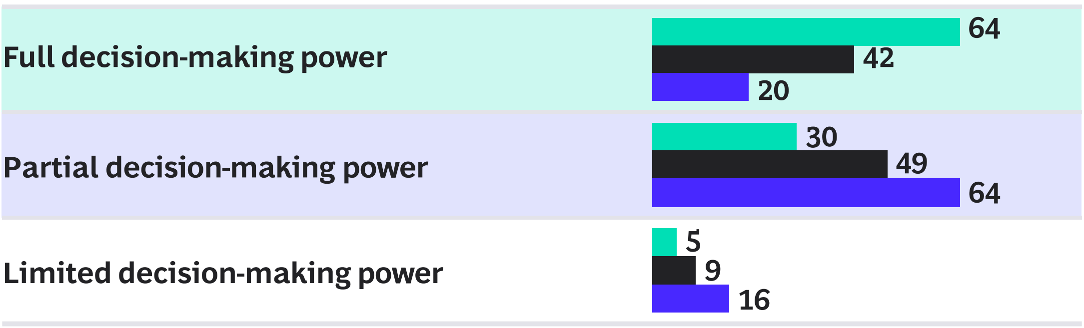
Ways of working (% of respondents)



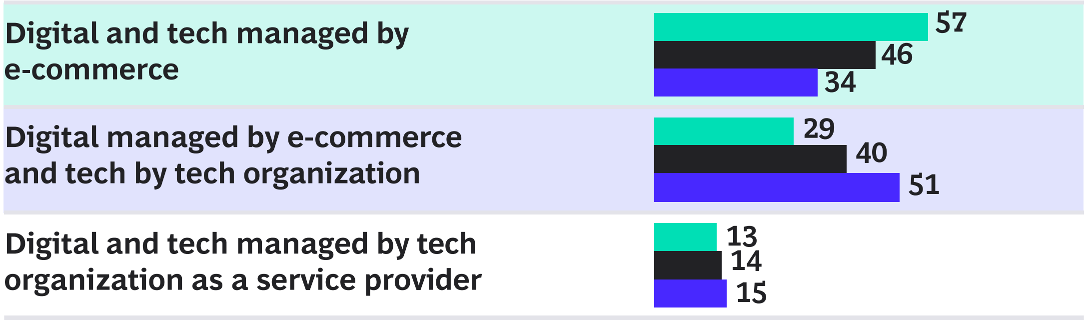
Incentives tied to e-commerce KPIs (% of respondents)



Decision-making power (% of respondents)



Organization of tech and e-commerce ecosystem (% of respondents)

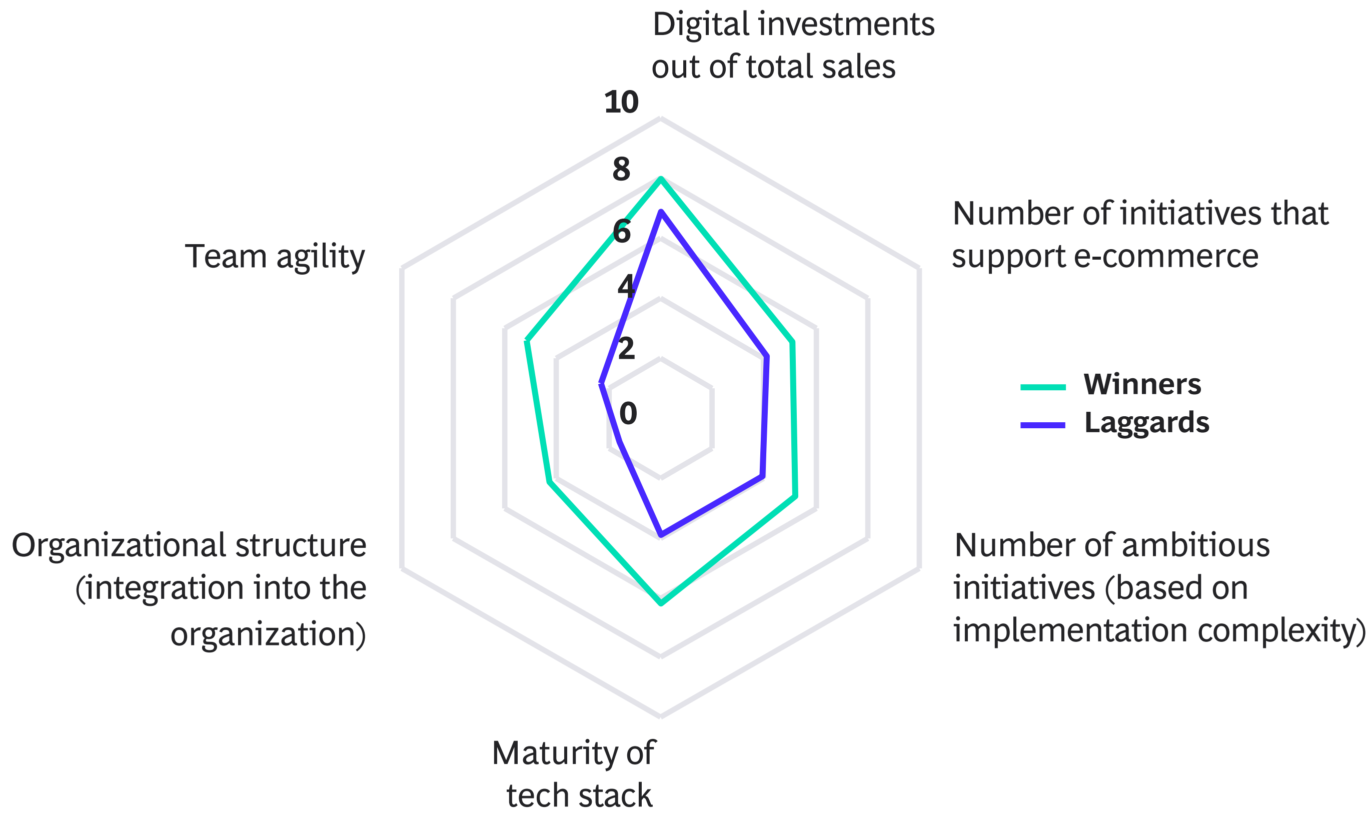


Most answered by winners | Most answered by laggards | Winners | Average players | Laggards

Source: BCG’s Worldwide E-Commerce Survey 2023.

CPG winners are consistently better positioned than laggards, but there **is room for all to improve**

Composite scores across key dimensions



Source: BCG's Worldwide E-Commerce Survey 2023.
Note: Analysis resulting from survey based on declarative data and aggregated to show global results, independent of retail categories.

- Winners benefit from mature data and digital platforms versus laggards (62% vs. 39%) although best-in-class systems and infrastructure are not necessary for success.
- While winners invest heavily in digital (a 10 percent-point difference compared to the laggards), many could still invest more.
- CPG players tend to focus on the quantity of their initiatives, with winners showing a 10 percent-point difference in having more initiatives compared to the laggards and a 10 percent-point difference in having more ambitious initiatives compared to the laggards.
- Winners are onboarding more people to their e-commerce teams than laggards, and more than 30% of winners have fully integrated e-commerce teams (not separate from traditional channels).
- More than 50% of winners have extensive team agility, compared to only 20% of laggards.

CPG winners have more advanced data and digital platforms, but a best-in-class data system and infrastructure are not necessary for success

E-commerce data systems and infrastructure (%)

Maturity		Winners	Average players	Laggards	WINNERS VS. LAGGARDS
1	Advanced data and digital platforms exist, including a customer data platform.	23	13	17	6pp
2	Advanced data and digital platforms exist, but there is no customer view.	38	32	22	16pp
3	Data is systematically centralized, but technology lags behind.	14	23	21	–7pp
4	Data is spread across various legacy systems and used directly from them, without centralization.	16	21	23	–7pp
5	Data is spread across various legacy systems and used in a limited way.	9	8	13	–4pp

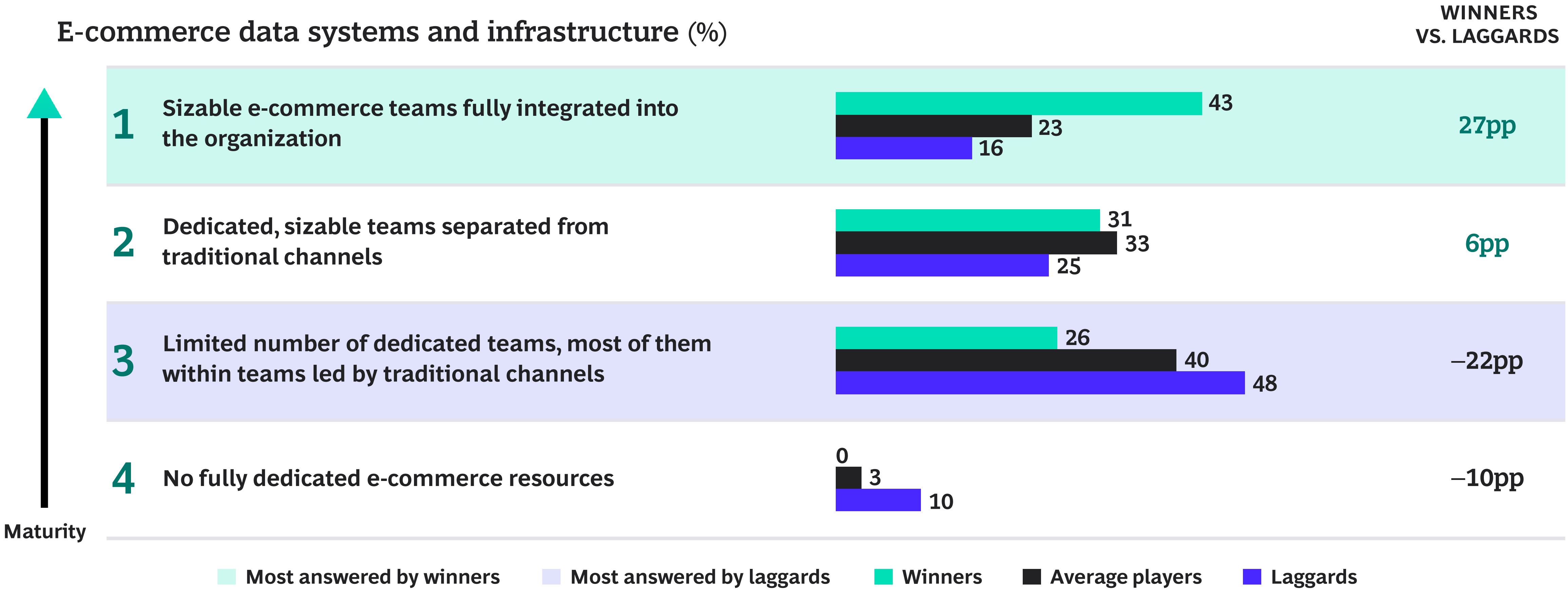
Most answered by winners | Most answered by laggards | Winners | Average players | Laggards

Source: BCG's Worldwide E-Commerce Survey 2023.

ORGANIZATIONAL STRUCTURE

CPG winners are competing to set up dedicated e-commerce teams and centers of expertise

E-commerce data systems and infrastructure (%)



Source: BCG's Worldwide E-Commerce Survey 2023.

TEAM AGILITY

CPG winners largely have full decision-making power, with digital and technology managed by the e-commerce team

Decision-making power for e-commerce (%)

	Winners	Average players	Laggards	Winners vs. laggards
Full decision-making power	52	34	23	29pp
Partial decision-making power	43	56	61	–18pp
Limited decision-making power	5	10	16	–11pp

Incentives tied to reaching e-commerce KPIs (%)

	Winners	Average players	Laggards	Winners vs. laggards
Yes	31	20	20	11pp
No	56	68	62	–6pp

Organization of the technology and e-commerce ecosystem (%)

	Winners	Average players	Laggards	Winners vs. laggards
Digital and technology managed by e-commerce	44	33	33	11pp
Digital managed by e-commerce and technology by the tech organization	41	52	44	–3pp
Digital and technology managed by the tech organization as a service provider	15	15	32	–8pp

Most answered by winners · Most answered by laggards · Winners · Average players · Laggards

Source: BCG's Worldwide E-Commerce Survey 2023.

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