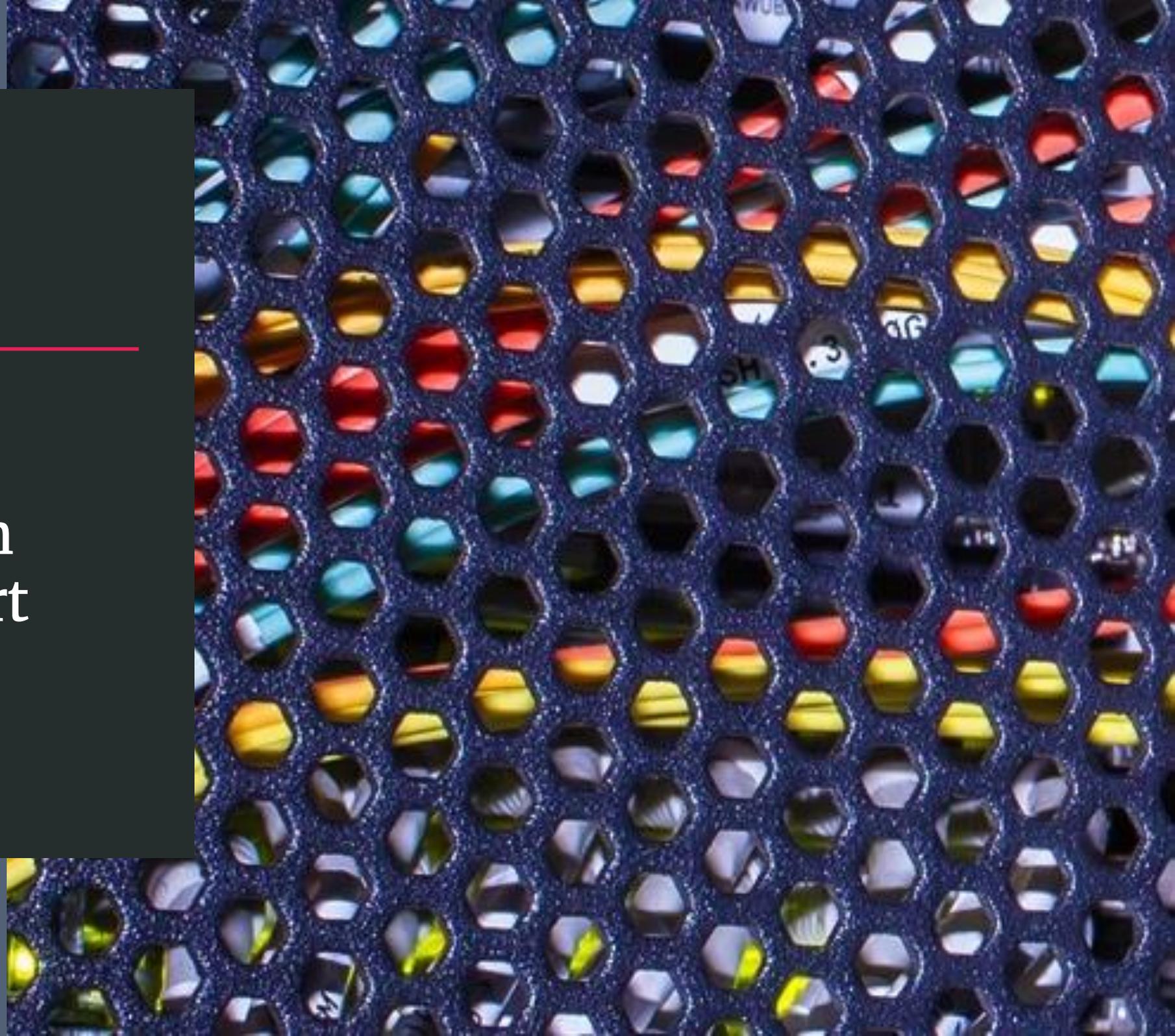


Planet**Retail** RNG >

WINNING STRATEGY

An extract from
Ecommerce
& Digital Ecosystem
Management Report

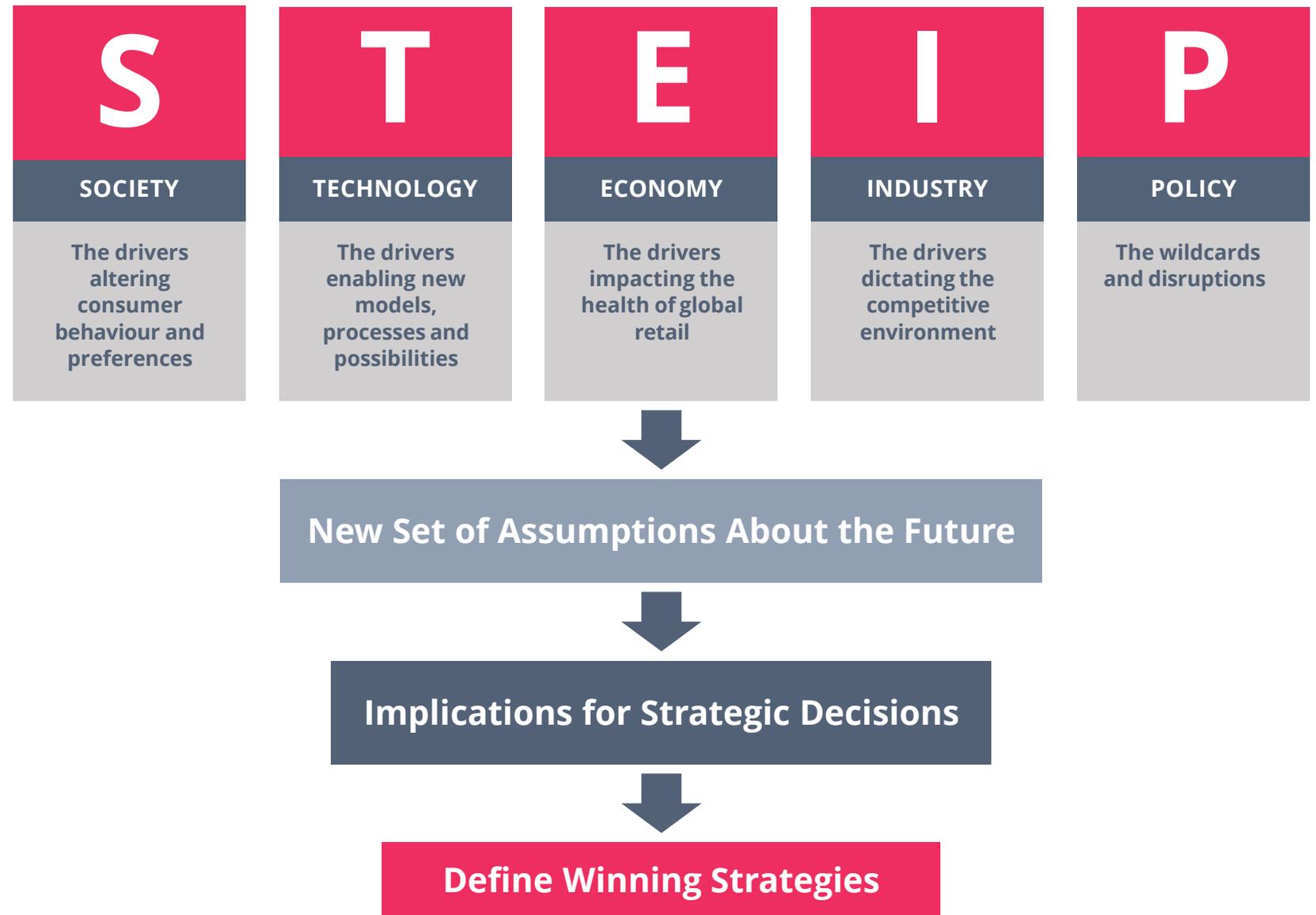


STEIP Introduction

Our STEIP approach is rooted in a fundamental bottom-up assessment of the variables that could impact our future world. Combined with PlanetRetail RNG's proprietary global data, industry knowledge and analyst insights, this will support you in growing your business.

We use STEIP as a focal lens to form a view on how our future might unfold, with particular emphasis on the consumer and industry.

With this set of assumptions about the future world, we analysed potential implications on decisions for retailers and brands and therefore the Winning Strategies to invest in as you make decisions about markets, resources and talent.



Introducing: PlanetRetail RNG's 2017 Winning Strategies

The global retail landscape is facing a significant shift in the retail value chain. New retail business models and competitors are emerging and traditional store-based retailers face threats from all directions.

This Winning Strategy report illustrates the rapid growth of ecommerce and the rising influence of digital ecosystems. It addresses:

- The emerging business models disrupting the chain retail landscape
- The drivers of ecommerce growth
- The current best-in-class ecommerce and digital ecosystem operators
- The ecommerce capabilities that the industry must master to thrive in this future world
- The implications of this changing landscape on both retailers and brands

Ecommerce &
Digital
Ecosystem
Management

Supply Chain &
Fulfilment

Shopper
Engagement &
Retention

Store of the
Future

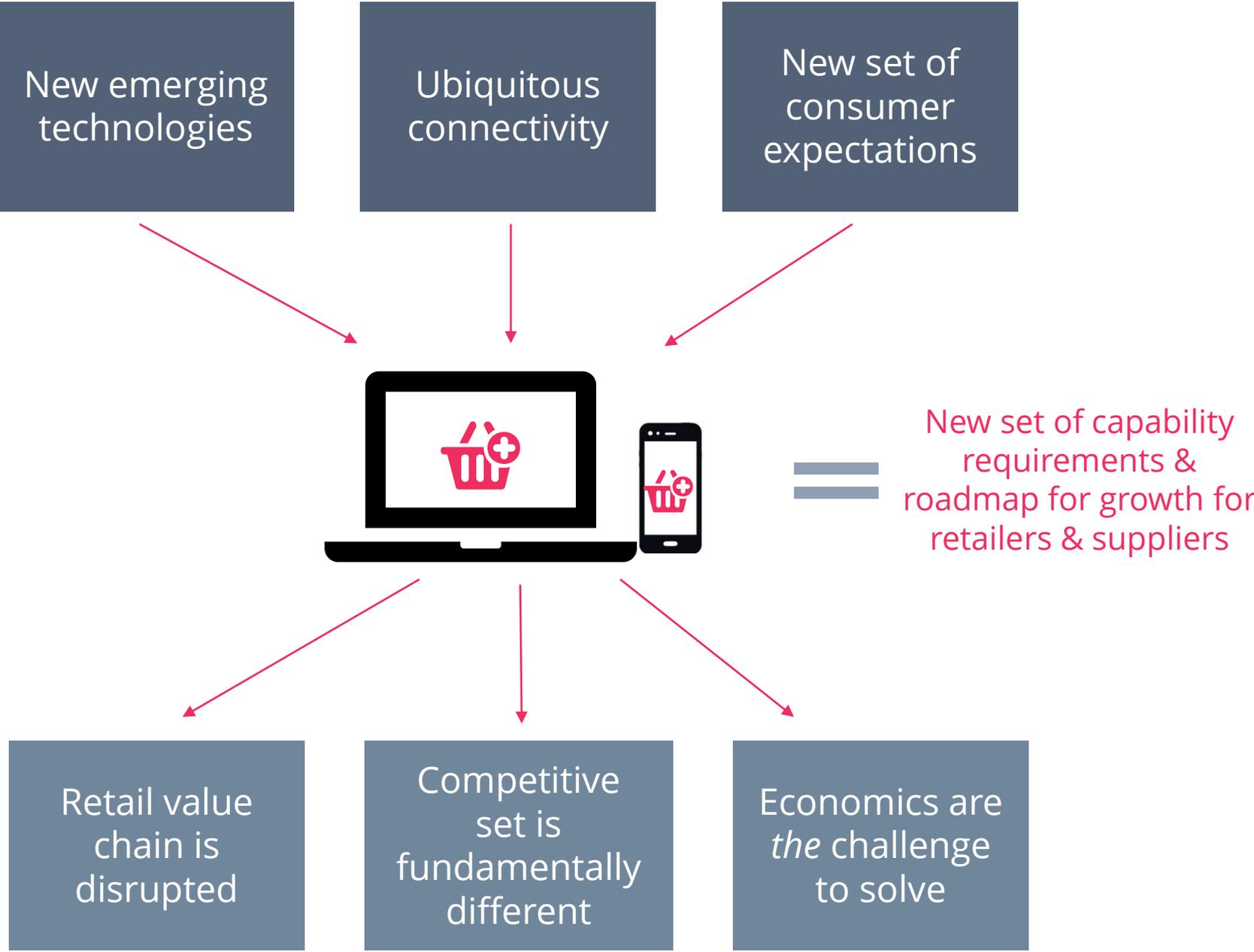
Ecommerce & digital ecosystems are disrupting global retail faster than ever before

Shifts in the external world, especially society and technology factors, are driving the rise of ecommerce & digital ecosystems.

The pace of technological change is faster than ever before, digitising the world and shaping consumer demands.

This shift towards ecommerce is disrupting the retail value chain, dramatically altering the role of the physical store, retailers, brands, distributors and wholesalers.

To thrive in this future world with new competitors and new business models, retailers and brands must be equipped with a new capability tool kit and a roadmap for success.



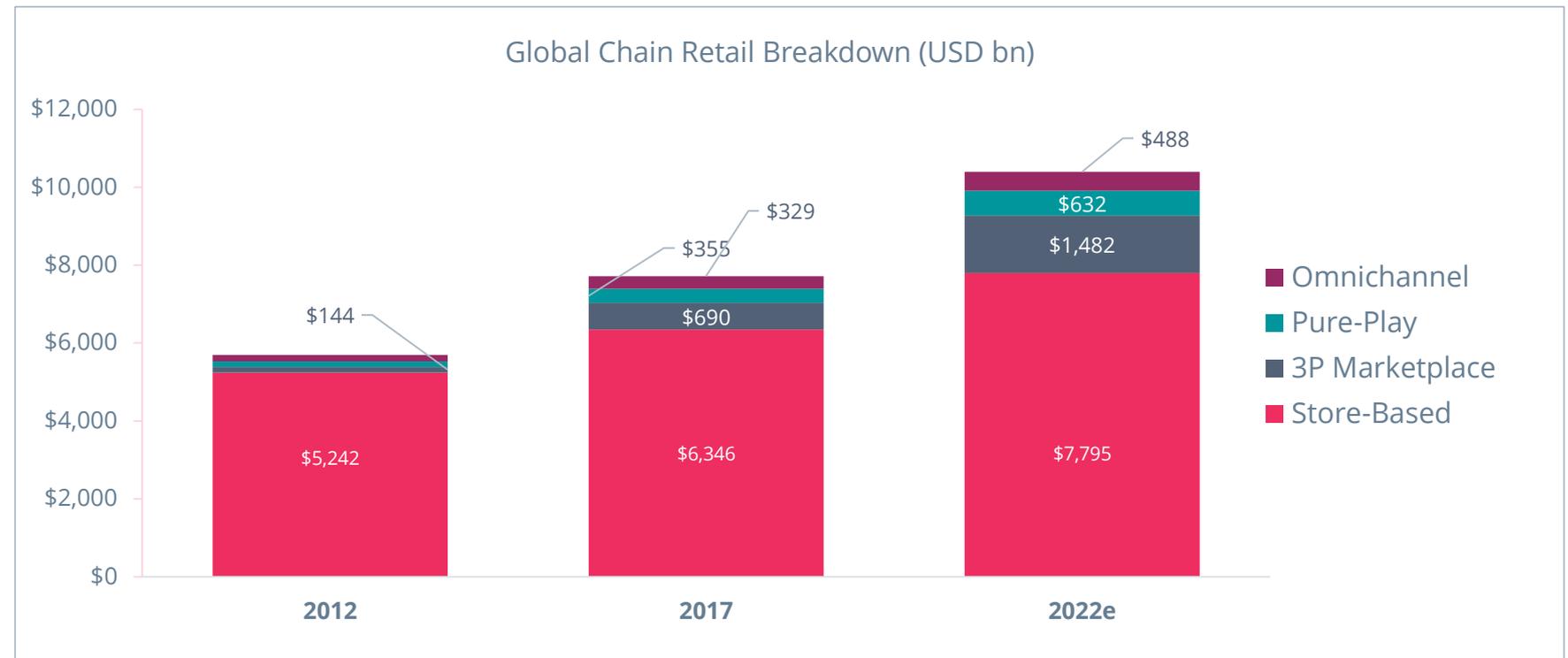
Ecommerce will account for 25% of global chain retail by 2022 and drive 46% of all growth

Ecommerce is driving a dramatic remixing of the global chain retail landscape, accounting for one-quarter of all chain retail by 2022, up from 18% in 2017 and 8% in 2012.

Growing at a rate 750 basis points faster than the global average, ecommerce will drive 46% of all chain retail growth through 2022.

3P marketplaces, including Alibaba, Amazon and JD.com, are forecast to drive 30% of total global chain retail sales growth, reaching 14% of total global chain retail in 2022. Their flexible, asset-light business models with multiple revenue streams position them well for future growth.

Ecommerce will account for a quarter of global chain retail in 2022



Business Model	Sales / GMV (USD bn)		Share of Sales / GMV		Sales / GMV CAGR		Sales / GMV Added (USD bn)		Share of Sales / GMV Added	
	2017	2022e	2017	2022e	13-17	18e-22e	13-17	18e-22e	13-17	18e-22e
Store-Based	\$6,346	\$7,795	82%	75%	3.9%	4.2%	\$1,104	\$1,449	55%	54%
Ecommerce	\$1,373	\$2,601	18%	25%	24.8%	13.6%	\$919	\$1,228	45%	46%
3P Marketplace	\$690	\$1,482	9%	14%	36.7%	16.5%	\$546	\$792	27%	30%
Pure-Play	\$355	\$632	5%	6%	20.6%	12.2%	\$215	\$277	11%	10%
Omnichannel	\$329	\$488	4%	5%	14.0%	8.2%	\$158	\$159	8%	6%
Global Chain Total	\$7,719	\$10,396	100%	100%	6.3%	6.1%	\$2,023	\$2,677	100%	100%

Source: PlanetRetail RNG – RNG Database & Methodology

Ecommerce impact will also vary significantly by category

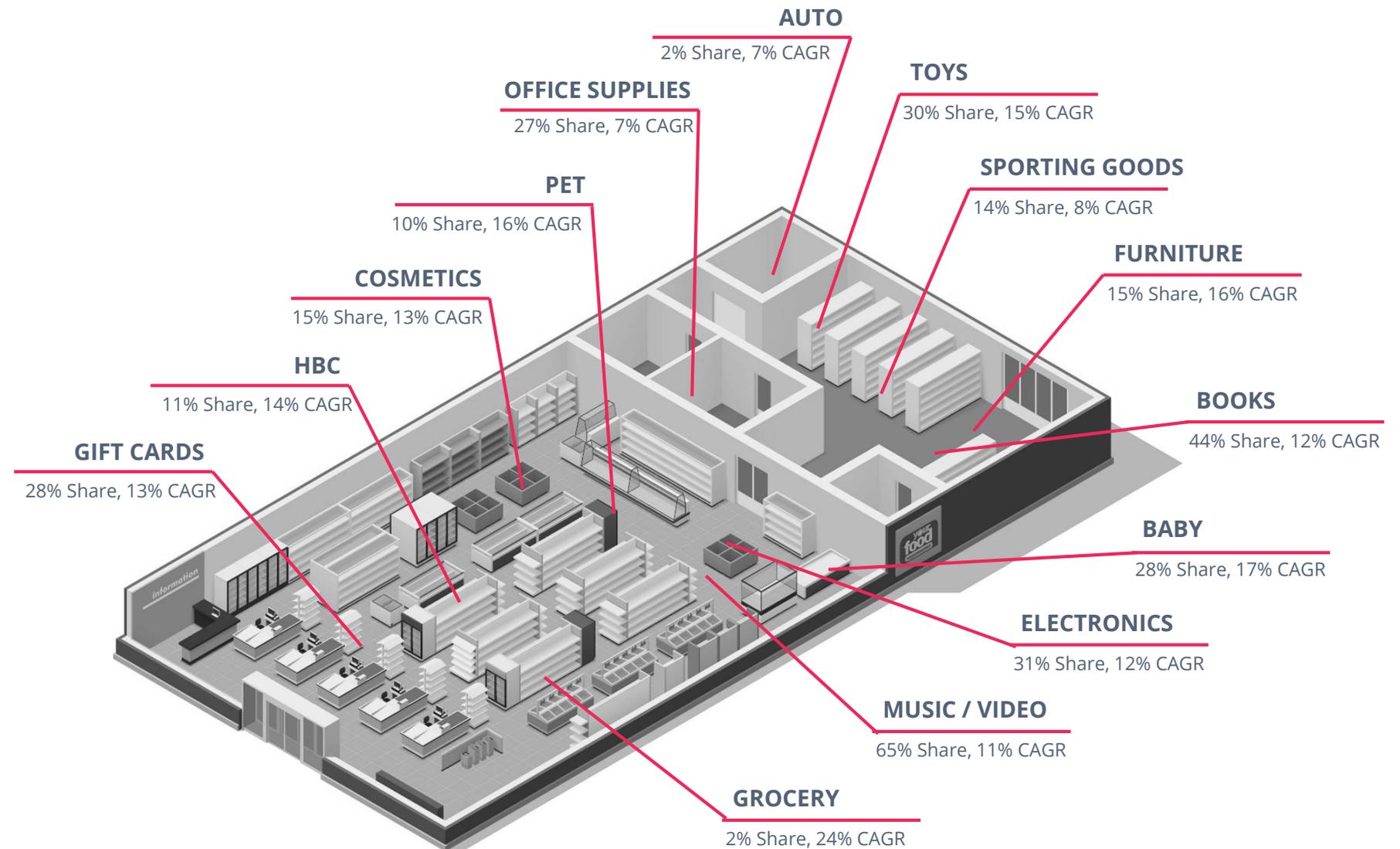
A number of non-food, ambient and household goods categories have already seen significant online penetration.

At least 25% of sales in categories such as baby, toys, entertainment, office supplies and consumer electronics have already shifted online.

Grocery has been more insulated from the full force of ecommerce because of supply chain barriers, particularly in fresh and frozen.

Digital investment and capability requirements differ by category, but brands operating in categories insulated from ecommerce should be preparing for the shift online, particularly in grocery as it approaches a digital tipping point where growth begins to accelerate quickly.

2016 Estimated Share of Total US Category Sales Online & Estimated 2017-2021e CAGR (%)



Source: PlanetRetail RNG Estimates; Note: Data is for total USA, not specific to any individual retailer or retail format

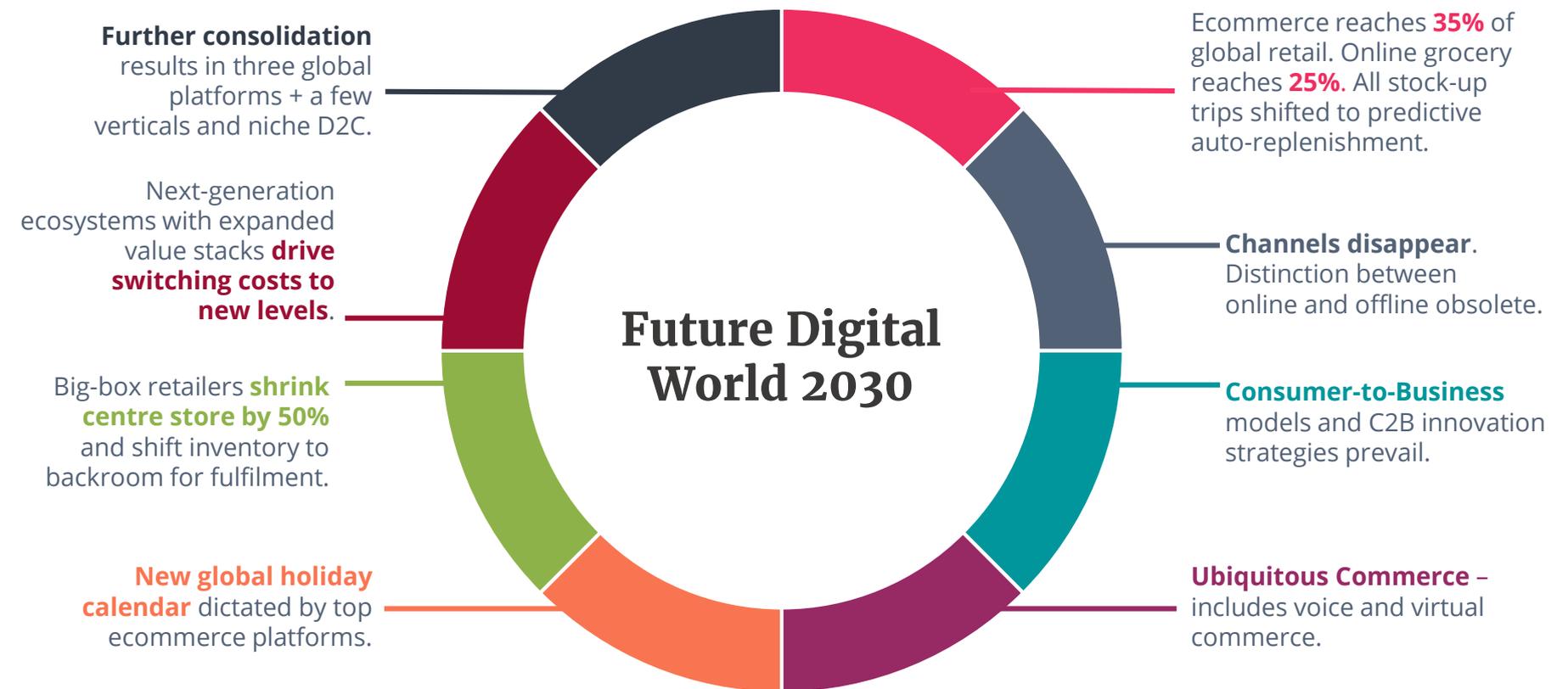
PlanetRetail RNG's Future Digital World 2030

As ecommerce share approaches one-third of global retail, many categories move further online, dramatically changing space allocation in big boxes, which will increasingly be used for fulfilment.

Further consolidation online results in only a few winning global platforms, complemented by niche vertical sites and direct-to-consumer models.

Consolidation fuels next-generation ecosystems with even larger value stacks, driving unprecedented shopper understanding and personalisation and even greater switching costs for customers.

The distinction between online and offline disappears for the consumer. The path to purchase includes physical stores, ecommerce, voice, augmented and virtual reality, and many other touchpoints, creating an environment of ubiquitous commerce in which shoppers can get what they want, when they want it, through a frictionless shopping experience.



Source: PlanetRetail RNG

Top ecommerce operators are racing to establish dominance in new markets

Top ecommerce marketplaces are rapidly entering new markets to increase scale and global reach.

As top players like Alibaba, Amazon and Walmart enter new markets, they are driving new levels of competition among the local operators.

Most of the new market entry is concentrated in developing and emerging markets, particularly in Asia and Latin America, where digital populations are large and ecommerce growth expectations are high.

Key marketplace battlegrounds are emerging with strong competition between global and local ecommerce platforms.

Brazil, the ninth-largest ecommerce market globally, is a battleground for intense competition among top global players Alibaba, Casino, Walmart, Amazon and Rakuten, as well as local Latin American marketplace, MercadoLibre.

China is dominated by top ecommerce marketplaces operated by Alibaba and JD.com. Walmart's partnership with JD.com gives the global retailer presence and scale in the market



Walmart and Amazon competing fiercely across the **US** market.

India is a top ecommerce battleground as local marketplaces, Flipkart and Snapdeal, compete with Amazon, Walmart and Alibaba's Paytm.

Competition is expected to increase across **Southeast Asia** as Alibaba ramps up existing business and Amazon launches PrimeNow in Singapore.

Source: PlanetRetail RNG

Best in Class: Alibaba

Building one of the most expansive digital ecosystems globally

Due to its extensive captive network, Alibaba has achieved very strong user engagement. For example, active Taobao users, on average, open the app 7.2x per day or once every 2.5 hours.

Alibaba is investing heavily in technology capabilities to accelerate innovation and to reduce labour costs.

Alibaba launches new products or new features every day and reduced customer service headcount by 50% with their AI-enabled customer service chatbot that is used by over 100,000 merchants to solve customer service questions.

Alibaba has stated that by 2020, consumers will manage up to 85% of their interactions with enterprises without interacting with a human.

The Anatomy of Alibaba's Digital Ecosystem



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