

What's Next in E-Commerce: 6 Trends Shaping the Future India Deep Dive



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Where are we?

As markets around the world continue to emerge from the global pandemic, **it's a good time to take stock of the significant changes that have taken place during the last few years**, a time of immense upheaval for the retail business environment. Which e-commerce developments are here to stay and how will the next innovations in digital technology impact the future of retail?

Why is AMEA¹ so important?

A region of 48 countries of enormous diversity and different levels of retail maturity offers **great insight into recent and future developments in e-commerce**.

Indeed, **Asia Pacific is driving forward the retail industry**, generating about three-quarters² of global growth, and is predicted³ to see the highest value sales CAGR for retailing during 2020-2025, with increased digitalization, connectivity and demographics being key drivers.

One example of this is the expanding middle class driving e-commerce growth across the region: the 2 billion Asians estimated to be members of the middle-class right now is predicted⁴ to increase to 3.5 billion by 2030.

What are the key trends?

The key trends, identified and discussed in this white paper, span the overall **“revolution” in e-commerce** that has taken place and continues to evolve at pace; the **tensions** SMEs face around **‘last-mile’ delivery** in the face of heightened consumer demand for greater logistics **sustainability**; the significant impact of the **‘Great Resignation’** on SME’s ability to retain, nurture and recruit new talent across the region; and ultimately point to ways in which SMEs can **leverage innovations around the consumer interface** to target and generate profitable revenue from the resulting opportunities.

Some of the eleven AMEA markets researched extensively for this white paper have been and will continue to be more impacted than others, but all of the identified trends are visible across the region.

SMEs and Consumers throughout AMEA are in for interesting, exciting times. This paper points to the **need for SMEs to constantly challenge themselves to innovate** and remain ahead of the curve.

1. AMEA is used throughout this report to refer to the Asia Pacific, Middle East and Africa region.

Sources: 2. Bain & Company – The Future of Retail in Asia-Pacific; 3. Euromonitor – Top 100 Retailers in Asia 2021; 4. Statista – The Rise of the Asian Middle Class

Six key trends across AMEA

01

E-Commerce Revolution

The Covid pandemic has hot-housed e-commerce growth across the AMEA region and Marketplaces are increasingly influential. SMEs are excited by the resulting opportunities and ready to capitalize. Consumers are also broadly positive about the heightened importance of e-commerce in their shopping experiences.

02

Service Experience Mismatch

There is a significant gap between SMEs' assessment of their own performance across a range of customer experience metrics and how Consumers experience this in reality. SMEs need to up their game to ensure that they do not lose customers as the market continues to evolve.

03

Talent Challenge

SMEs across AMEA are finding the Great Resignation very challenging right now – this is hitting them hard and causing headaches at a time when they are looking to increase headcount by recruiting new e-commerce talent to drive their business forward.

04

Sustainability Tensions

Whilst SMEs and Consumers are both very aware of the need for sustainability, in their words, their choices and their actions, it's tough to get the balance right. Overall, SMEs tend to under-estimate how important sustainability is to Consumers.

05

More Effective E-tailing

SMEs are already offering or planning to offer **newer payment options**, and targeting audiences more effectively e.g., through **personalization** and **shoppertainment** – and Consumers are very receptive to innovations in these areas.

06

Shopping Festivals

E-commerce events continue to make a difference to AMEA Consumers – in fact, many would like even more. There is also a clear need from SMEs for increased logistics support during key pinch points.

How India compares to the rest of AMEA

01

E-Commerce Revolution

Consumers in India are much more likely than those in other AMEA markets to forecast future growth in e-commerce, with Marketplaces becoming increasingly influential. Almost all Indian SMEs believe they are well positioned to capitalize on this growth.

02

Service Experience Mismatch

Whilst deliveries are less likely to be made within two days in India, the service expectation/reality gap is relatively small (3pts) indicating that other areas of service are very satisfactory. Delivery lead-time is also less of a pain point for Consumers.

03

Talent Challenge

The Great Resignation is even more of a challenge for SMEs in India than across the region as a whole – with three-quarters also finding it difficult to recruit.

04

Sustainability Tensions

The challenges of delivering items quickly and sustainably are writ large in the Indian mindset with SMEs and Consumers alike more likely to state that delivery lead-time is the more important of the two considerations.

05

More Effective E-tailing

Indian SMEs and Consumers are advanced in their attitudes towards e-commerce innovations such as newer payment methods, personalization and shoppertainment. Personalization, in particular, is likely to increase and be welcomed.

06

Shopping Festivals

Shopping festivals will remain an important part of the e-commerce landscape in India, although Consumers are less likely than those in the region as a whole to be looking for more of these.

After¹ seeing **double-digit current value growth for the last few years**, retail sales in India declined in 2020. With Consumers restricted to their homes, the demand for groceries increased. Some Consumers preferred to shop locally, popping into traditional grocery retailers and convenience stores to minimise time spent in stores. At the same time, grocery retailers partnered with food delivery companies to deliver groceries to Consumers' homes.

With low footfall in stores selling non-essential products even after reopening post-lockdown, players had to think of **new ways to attract Consumers**. E-commerce players such as Amazon, Walmart-owned Flipkart and Reliance, have already partnered with traditional grocery retailers. **As more brands invest in e-commerce going forward**, and with the rising smartphone penetration rate, mobile e-commerce is expected to see a particularly strong increase.

Indian² SMEs are **optimistic** about future growth in their e-commerce business and are **particularly focused on innovations** like newer payment methods, personalization and shoppertainment. They have **suffered much more** than SMEs in other AMEA markets from **staff retention and recruitment challenges** but have still succeeded in managing a **relatively small service delivery/expectation gap**.

Indian Consumers are **very likely to anticipate future e-commerce growth**, particularly through **Marketplaces**. They put a lot of **emphasis on delivery lead-time** and are generally **more satisfied** with this than those in other AMEA markets.

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Overview of Approach

This White Paper has been developed based on two distinct phases of research.

Qualitative Development

The qualitative development phase involved a combination of desk research and expert Interviews. We spoke to five experts in each of the eleven markets during May – June 2022.

These experts range from people working in relevant media, trade associations and government bodies, along with senior business leaders.

Quantitative Research

A quantitative online survey was then conducted during June – July 2022. This comprised interviews with SMEs and Consumers.

We interviewed 300+ **SMEs** in each of the eleven markets. Participants worked in e-commerce retailers with 1-249 employees, and were in a management role involving at least joint responsibility for setting e-commerce strategy. A total of 3,567 interviews were conducted.

We interviewed 500+ **Consumers** per market (1000+ in India) with participants comprising a representative sample of adults aged 18+, who make at least 25% of their purchases online. A total of 6,277 interviews were conducted.

NOTE: Colour coding is used throughout this report to highlight which audience is being reported:



SMEs



Consumers

Scope

Research was carried out in **eleven AMEA markets:**

Australia (AU), Hong Kong (HK), **India (IN)**¹, Japan (JP), Malaysia (MY), Philippines (PH), Singapore (SG), South Korea (KR), Taiwan (TW), Thailand (TH) and Vietnam (VN).

Mainland China has not been included in this study because a previous white paper specific to Mainland China was published in 2020.



1. Interviews in IN: SMEs n=336; Consumers n=1,030

01 E-Commerce Revolution

The Covid pandemic has hot-housed e-commerce growth across the AMEA region which has become an e-commerce powerhouse, and Marketplaces are increasingly influential.

Consumers in India are much more likely than those in other AMEA markets to forecast future growth in e-commerce, with Marketplaces becoming increasingly influential. Almost all Indian SMEs believe they are well positioned to capitalize on this growth.

Key drivers behind the trend

A combination of recent growth and predicted future growth in e-commerce – augmented by increased use of Marketplaces – points to a genuine “revolution” in the way Consumers are shopping nowadays across AMEA and in India. SMEs that are able to capitalize on this growth most effectively – by being innovative and seizing the opportunities arising – will flourish and those that rest on their laurels will be left behind.



+
8.2%

E-commerce¹ in Asia expected to grow at a rate of 8.2% between 2020-2025, compared with US (5.1%) and Europe (5.2%).



45%

Asia² Pacific and Australasia will account for more than 45% of the global absolute value growth in e-commerce during 2020-2025.



1 billion

Announcing³ results for FY2021, Alibaba revealed it has now served 1 billion active users including 240 million based outside Mainland China.

E-Commerce Revolution means a fundamental shift in the Consumer mindset and behaviors around e-commerce. Older Consumers, in particular, have had their eyes opened to the benefits of online shopping during the pandemic and there is no going back. SMEs are largely excited by this revolution and willing to invest and change their outlook to capitalize.



Covid has hot-housed e-commerce in India

There is no going back to how items were purchased beforehand - this is a great opportunity for SMEs that are adaptable and willing to embrace change.



SMEs are excited by e-commerce opportunities

SMEs aware that e-commerce will continue to evolve – they are excited by this and most believe they are well positioned to capitalize.

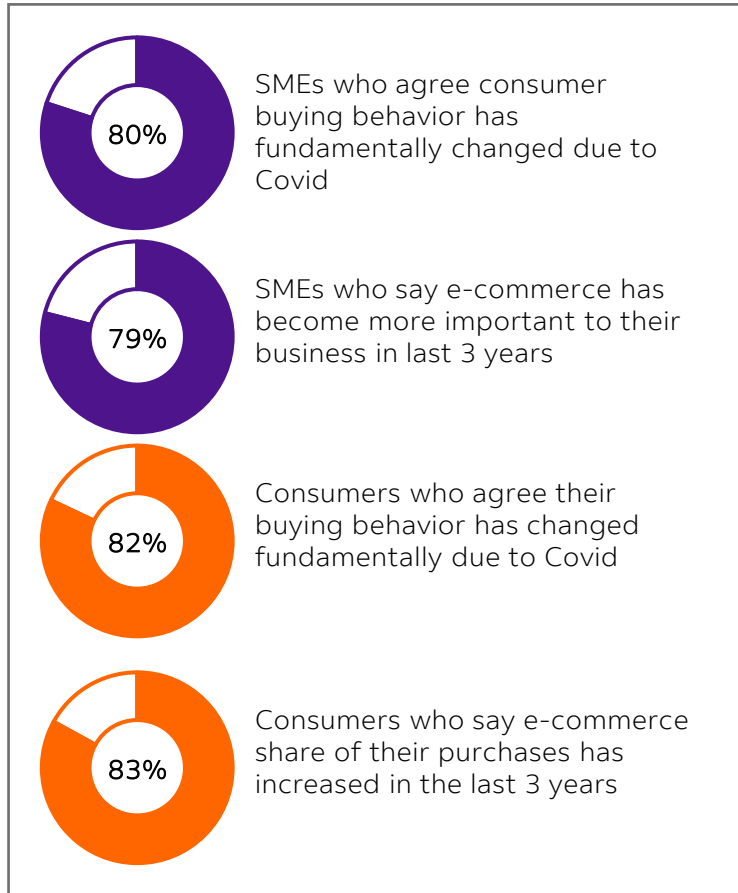


Consumers are increasingly buying through Marketplaces

Two-thirds of Indian Consumers purchase items exclusively through Marketplaces and their share of total e-commerce spend has increased significantly.

COVID has hot-housed e-commerce in India

The Covid pandemic has hot-housed consumer desire for e-commerce across AMEA and in India – there is no going back to how items were purchased beforehand. E-commerce market experts believe this is a great opportunity for SMEs that are adaptable and willing to embrace change.



Consumer buying behavior has been significantly impacted by the global Covid pandemic. McKinsey¹ and Company go as far as to state that the pandemic has squeezed 10 years of digital sales penetration into 3 months. The resulting changes are here to stay and will continue to evolve. The pandemic is generally viewed as a positive driver of e-commerce revenue by experts and by the business community.

Older Consumers, and boomers, in particular, have come to embrace e-commerce and Etailers must adapt their offer and their approach moving forward to target this new audience that is likely to have different needs from the more established, younger e-commerce consumer.

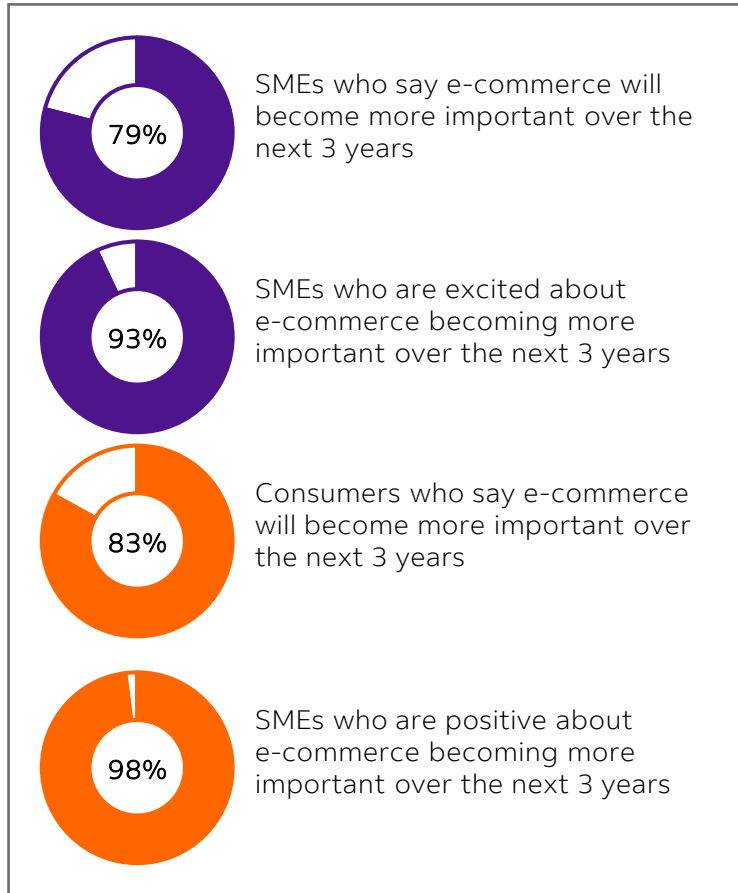
Businesses are increasingly aware that it's critical to stay ahead of the competition. They can achieve this through more effective audience targeting, faster delivery, and by offering more flexibility around payment options. Some of these market innovations will require significant investment so it's essential that SMEs understand the potential ROI they can achieve.

Looking further to the future and The Next Big Thing, market experts point to innovations such as visual shopping and artificial intelligence.

SMEs are constantly seeking out the next innovation to gain an edge over the competition and they would welcome advice and support from logistics providers in these endeavors.

SMEs are excited by e-commerce opportunities

SMEs in India acknowledge the increased importance of e-commerce to their business over the past 3 years and also believe it will continue to become even more important in future. They are excited by this and believe that a willingness to adapt and embrace change will drive e-commerce opportunities and result in growth.



The vast majority (79%) of SMEs in India predict e-commerce will continue to boom in future, becoming more important to their business growth over the next 3 years. More than 9 in 10 are excited by this, and believe they are well positioned to capitalize.

E-commerce's share of Consumer purchases has increased in 8 in 10 cases over the last three years and the majority (83%) predict that it will account for an increasing share of their total retail spend over the next 3 years.

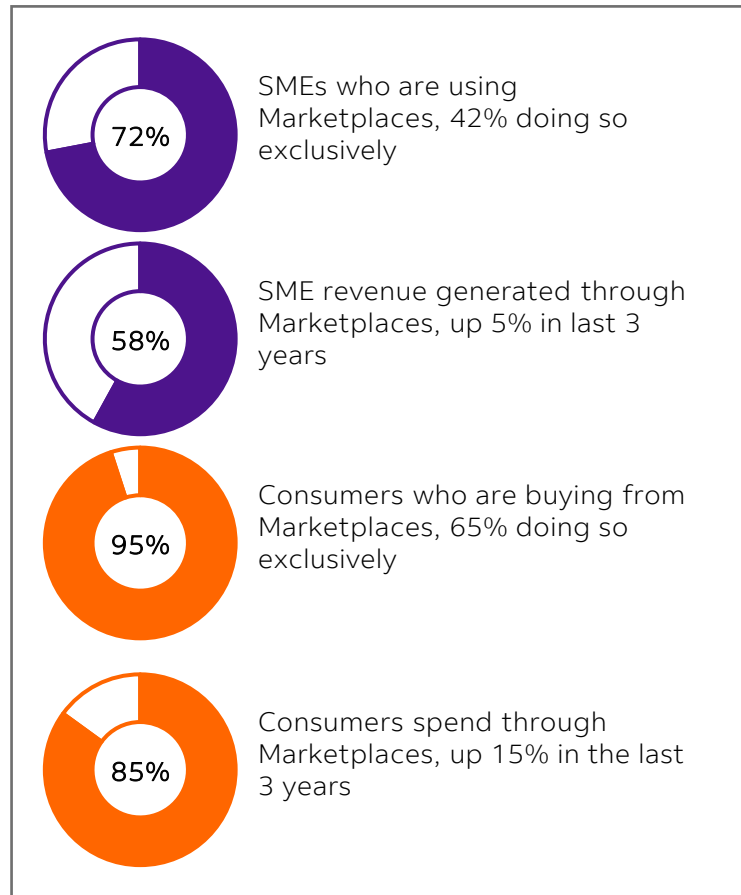
Almost all AMEA Consumers see the growth of e-commerce through a positive lens; the biggest benefit they see is the ability to access products cross-borders at the click of a button. It's estimated¹ that cross-border e-commerce in Asia Pacific and Australasia will grow at a 13% CAGR over 2020-2025 to reach USD247.5 billion by 2025.

With this in mind, and looking forward, Mainland China is seen as the key market, within AMEA, that Indian SMEs will target for export growth, followed by Japan².

Beyond AMEA, Indian SMEs will be targeting North America and Western Europe².

Consumers are increasingly buying through Marketplaces

Two-thirds of Indian Consumers already purchase items exclusively through Marketplaces and Marketplaces now account for 85% share of all e-commerce spend, up significantly in the last three years.



Indian SMEs and Consumers agree on the importance of marketplaces in the overall context of e-commerce right now, and in future. Over two-fifths of SMEs already use marketplaces exclusively compared with 28% who only sell direct to customers.

58% of Indian SMEs' e-commerce revenue is generated through marketplaces – which they use primarily because there is more traffic and greater customer engagement. Other perceived benefits of marketplaces are ease/speed of set-up, lower set-up costs and lower financial risk.

85% of Indian Consumers' e-commerce spend is currently through marketplaces – this is up from 70% only three years ago. This is a massive change and one that SMEs need to cognizant of. If Consumers are to continuing shifting away from direct purchases from brands, the aforementioned risks around setting up their own platforms become ever greater.

Whilst the importance of marketplaces is clear, it's worthwhile noting that 58% of SMEs currently sell directly to customers through their own e-commerce platforms¹.

They do so mainly so that they have more control over customer data (more on this later) and site functionality, to help build brand awareness and to avoid restrictions on what they can do.

The e-commerce “Revolution” is evident, to some degree, across all eleven markets. It’s also apparent that SMEs and Consumers are largely aligned in their outlook.

Directly opposite is an indexed ranking of the markets according to how positive their views are concerning the evolving e-commerce Revolution.

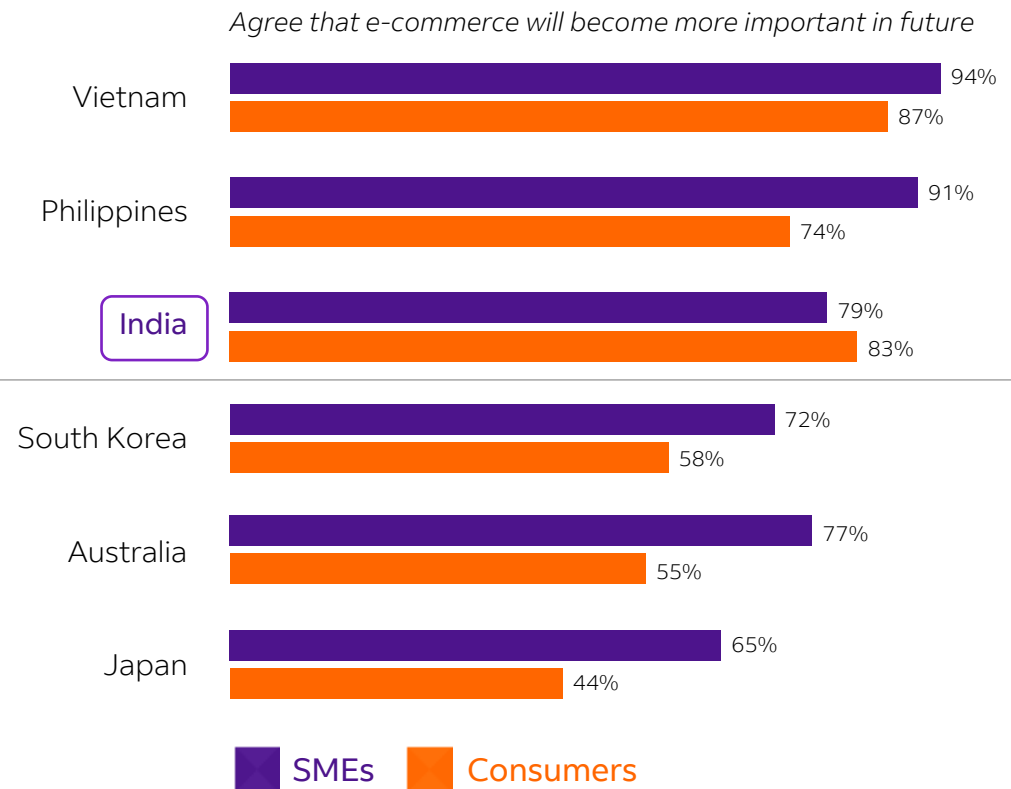
India is one of the three most positive AMEA markets.

Markets where the trend is most pronounced

Vietnam, Philippines and **India** stand apart from the rest in terms of their belief e-commerce will continue to grow and their positivity and excitement.

Markets where the trend is weaker

Japan ranks lowest of all among SMEs and Consumers with Australia and South Korea taking up the other two positions at the lower end of the ‘positivity’ index.



Implications for the logistics industry

There is a need for **greater collaboration** between players within the e-commerce ecosystem to achieve more sustainable growth for all participants. Marketplaces providing greater ease of use for Consumers, more efficient operations between etailers and logistics service providers is likely to result in **more sustainable growth**.

For example **etailers would benefit** from one-click integration to access to their logistics provider account within the Marketplace platform. Likewise, **customers would benefit** from being able to generate shipping labels and access use features e.g., express shipping without leaving the Marketplace platform.

Under **an increasingly integrated retailing system**, the logistics industry should also expect to have a more integrated supply system that supports/outsources warehousing and realizes data sharing for better inventory management.



02 Service Experience Mismatch

There is a significant gap between SMEs' belief in their own performance levels across a range of customer experience metrics and Consumers' less positive experience this in reality.

Whilst deliveries are less likely to be made within two days in India, the service expectation/reality gap is relatively small (3pts) indicating that other areas of service are very satisfactory. Delivery lead-time is also less of a pain point for Consumers.

Key drivers behind the trend

Delivery lead-time is a major Consumer pain point and there are also significant 'expectation versus reality' gaps regarding efficient returns service and accessible customer support that are driving an overall service experience delta. Many businesses understand that they need to invest to improve the customer experience.



68%

68%¹ of Asia Pacific Consumers feel like customer service is an afterthought for businesses and 71% say their expectations have increased over the past year.



76%

76%² of Asia Pacific businesses have seen new customer journeys – only 25% have significant insight into this new wave of digital-first customers.



60%

60%² of businesses in Asia Pacific expect to accelerate investment in customer data technology in 2022 and beyond.

Service Experience Mismatch means that SMEs believe they are performing better on e-commerce service touchpoints than they are in reality. Online orders take longer to arrive than Consumers expect and there are issues with customer service that can frustrate. It's critical that SMEs raise their game across the e-commerce experience in order to not get left behind.



Deliveries take longer than SMEs believe

Most deliveries take 3 days or longer to reach customers and this can lead to frustration.

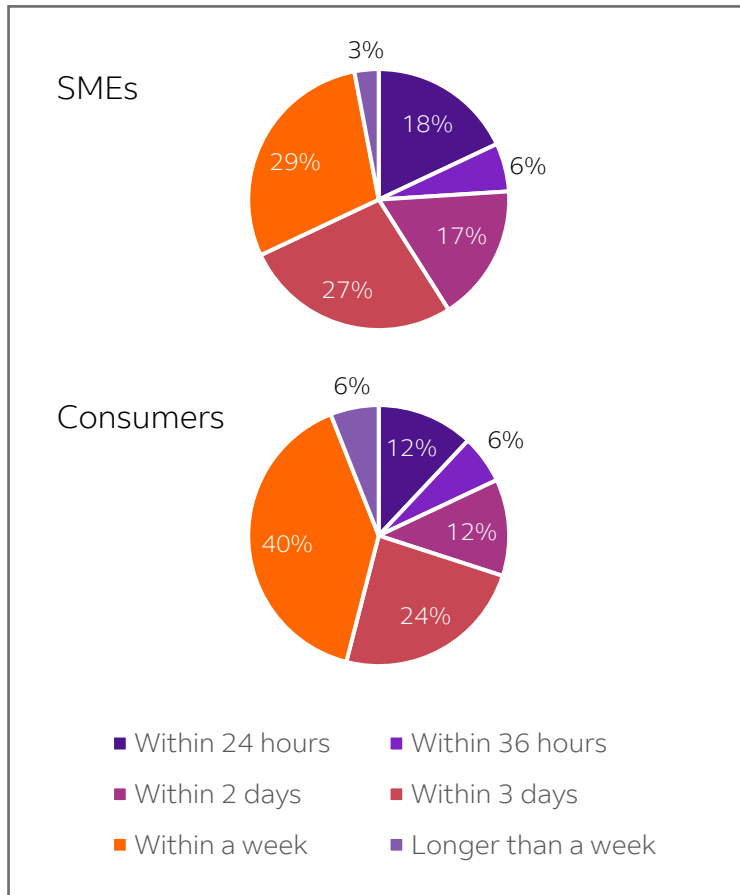


Lead-time and product returns are Consumers' main pain points

There is a clear link between slow delivery lead-time and the other main pain point that Consumers refer to: product returns.

Deliveries take longer than SMEs believe

The majority (70%) of online orders typically take 3 days or longer to arrive with Indian Consumers and this can lead to frustration. SMEs tend to over-estimate how quickly they are delivering: 41% believe they deliver in 2 days or less whereas this is the reality for only 30% of Consumers.

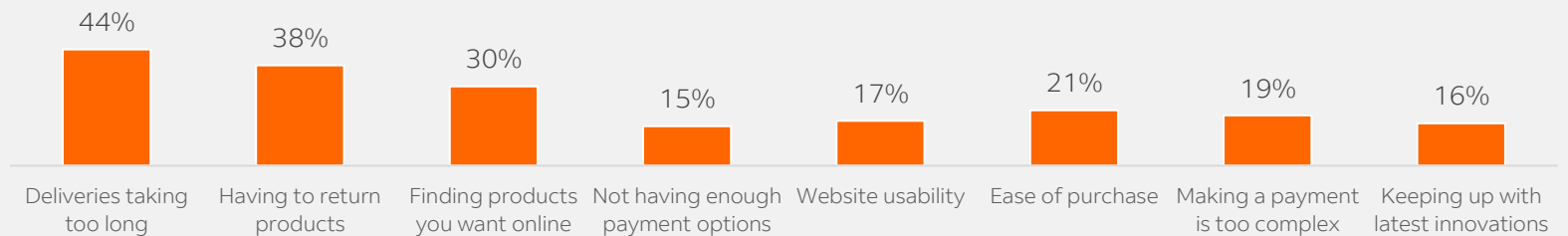


4 in 10 Indian SMEs believe their online deliveries reach customers within 2 days of an order being placed. In reality, only 3 in 10 Consumers receive online deliveries within 2 days and it typically takes up to a week or even longer for more than 4 in 10.

What stands out here is the extreme level of variation – some deliveries are with customers within 24 hours, some take longer than a week.

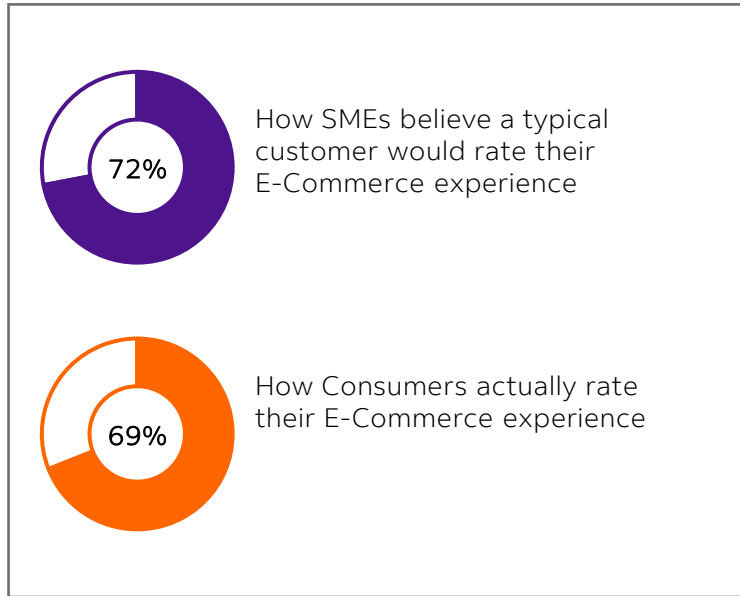
Deliveries taking too long stands out as Consumers' number one pain point and there is a clear link to the second major problem which is having to return products from time to time ... the area with the biggest Service Experience Mismatch.

Consumer pain points



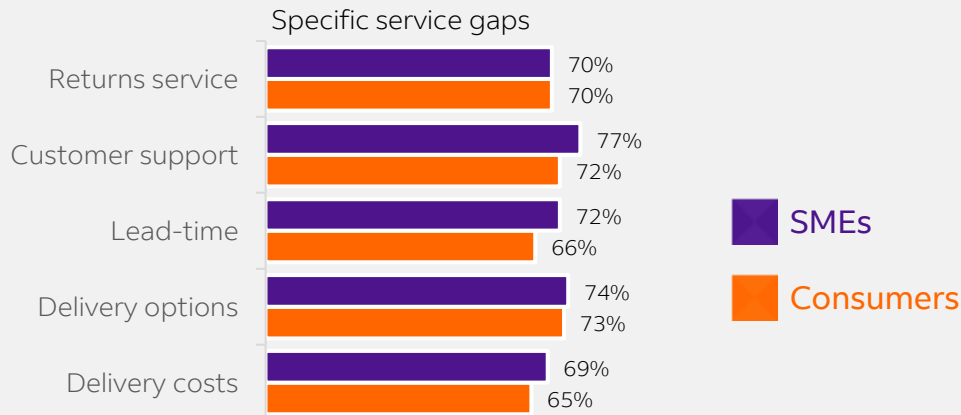
Lead-time and product returns are Consumers' main pain points

Deliveries taking too long stands out as Indian Consumers' number one pain point and there is a clear link to the second major problem which is having to return products from time to time ... the area with the biggest Service Experience Mismatch.



There is a small overall delta (3%) between SMEs and Consumers in how they perceive the e-commerce experience.

Deliveries taking too long stands out as Consumers' number one pain point and is also the area where the gap is largest, with customer support having the next biggest gap.



The Service Experience Mismatch varies widely across the eleven AMEA markets ranging from a huge 18 points difference to a negligible delta in others and one market where Consumers are marginally more positive than SMEs.

India sits in the middle of the 11 AMEA markets on the Service Experience Mismatch.

Markets where the trend is most pronounced

Malaysia, Philippines and Singapore are the three markets where SMEs need to up their game considerably to begin to live up to Consumer expectations.

Markets that go against the trend

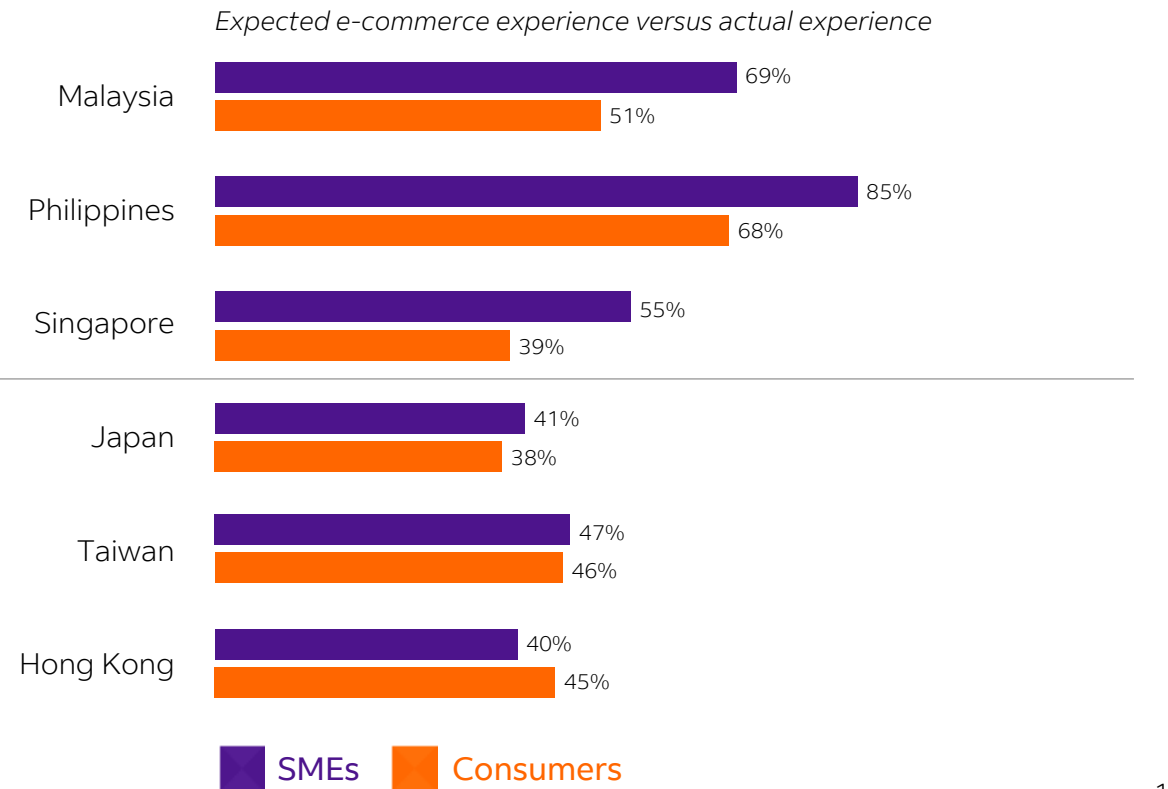
Hong Kong Consumers actually rate their experiences (marginally) higher than SMEs expect and the gap is quite narrow in Taiwan and Japan. For SMEs in these markets, the challenge is to maintain these positive Consumer perceptions as the market evolves.

02

Service Experience Mismatch

Malaysia, Philippines and Singapore see the biggest service expectation/reality gaps.

Smaller Gap
HK TW JP KR IN VN TH AU SG PH MY
Bigger Gap



Implications for the logistics industry

Consumers are expecting increasingly accurate parcel tracking and a delivery service easily ordered through a smartphone. These demands are calling for **a more digitized logistics system.**

One potential solution to this is **route planning** using big data analysis and AI computing power to identify delivery problems before they occur and finding the **most optimized route** to improve delivery reliability.

The data generated for this white paper clearly demonstrates that it's not speed of delivery that counts. **What's more important to customers is reliable time-definite delivery.**

Logistics providers should offer a range of delivery options from next day to deferred delivery of up to 3-5 days – and then absolutely **ensure these lead-times are adhered to.**

This is particularly critical during 'peak' shopping periods e.g., when **e-commerce events** are taking place.



03 Talent Challenge

SMEs across AMEA are finding the Great Resignation very challenging right now – this is hitting them hard at a time when they are looking to increase headcount by recruiting e-commerce talent to drive their business forward.

The Great Resignation is even more of a challenge for SMEs in India than across the region as a whole – with three-quarters also finding it difficult to recruit.

Key drivers behind the trend

SMEs have been hit with a double-whammy of higher resignations than normal at a time when it's tough to recruit employees skilled in e-commerce.

68%

More¹ than two-thirds of Asia Pacific SMEs say upskilling to support digital transformation is urgent.

3 in 4

3 out of 4² IT teams in Asia are dealing with significant skills gaps.

83%

83%³ of Asia Pacific business leaders are worried they don't have the necessary skills – compared to 79% in Europe and 73% in US.

Talent Challenge means the problems that SMEs are facing right now in needing to recruit for new e-commerce roles as they develop this side of their business – at a time when it has rarely been as difficult to recruit that talent. This talent challenge is negatively impacting SMEs' ability to digitally transform their business.



The Great Resignation is a potential barrier to e-commerce growth

Over half of SMEs in 10 out of 11 markets complain that more employees have resigned in the last 12 months than has been typical of the past decade



SMEs are struggling to recruit the talent they need to grow

Marketing and Sales roles have been the hottest properties as SMEs gear up to move their businesses forward

Great Resignation is a potential barrier to e-commerce growth

The Great Resignation is hitting Indian SMEs hard at a time when they are looking to staff up with new “e-commerce talent” In fact, they are struggling to identify new talent in an increasingly competitive market.



The talent challenge is having a negative impact on AMEA SMEs' ability to transform their organizations – with a lack of skilled talent¹ the number one challenge for SMEs across Asia Pacific and Japan right now.

Without the right people, any transformation will take longer and cost more.

The Covid pandemic has led many employees – globally as well as across the AMEA region - to take stock of their working life, and their work-life balance, and look for opportunities elsewhere.

SMEs are facing significant talent retention and recruitment challenges at a time when they are actually often looking to staff up with new people bring new skills with them..

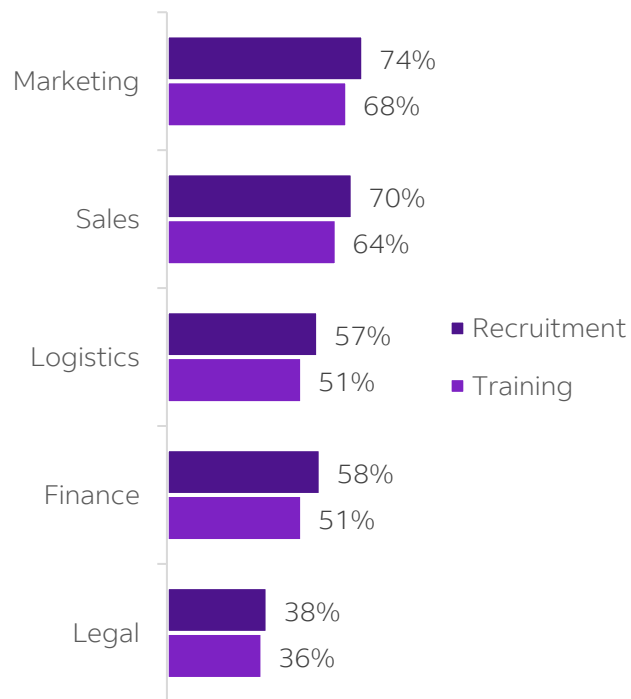
It's an increasingly competitive talent market, particularly when searching for specific e-commerce skill-sets.

This is frustrating and challenging for SMEs who are looking to capitalize on the opportunities offered by e-commerce developments.

SMEs are struggling to recruit the talent they need

Marketing and Sales roles have been the hottest properties for SMEs looking to capitalize on e-commerce opportunities but it's a competitive market at the moment.

Job functions SMEs have had to **recruit** / invest in **training**, to capitalize on e-commerce opportunities



Marketing and Sales roles have been the hottest properties for SMEs looking to capitalize on e-commerce opportunities.

This is likely to be connected to the need for SMEs to reach out more effectively to new (older) audiences.

And as we will see later, new ways of targeting audiences – personalization and shoppertainment – may require new skill sets.

It's time-consuming and expensive to recruit this type of talent and / or to upskill existing members of the team.

Logistics roles are the next most valuable and this could be an opportunity for logistics providers to partner with SMEs and offer support.

SMEs across Asia Pacific are also encouraged to be more open to flexible, hybrid models of working in order to ensure potential talent is not lost. Reports¹ that only 40% of business leaders intend to make remote work – initiated during the pandemic – permanent, compare with 70% intention globally.

SMEs in all eleven markets are in agreement that talent retention and acquisition has been remarkably tough in the last 12 months – much tougher than over the previous decade.

There are significant differences in the degree of severity of the Great Resignation with more than 4 in 5 suffering in some markets compared with fewer than 3 in 5 in others.

SMEs in **India** are among those most impacted by the talent challenge.

Markets where the trend is most pronounced

SMEs in Thailand, Vietnam and **India** are suffering most and therefore would likely be most receptive to support from logistics providers.

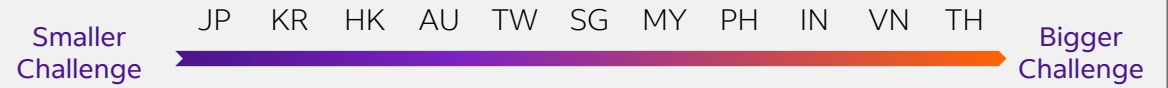
Markets where the trend is weaker

Retention and recruitment is also more of a challenge than normal in markets including Japan, South Korea and Hong Kong but the need for support here is less urgent.

03

Talent Challenge

SMEs in Thailand, Vietnam and India are suffering most from the Great Resignation and difficulties with recruitment.



SMEs who agree more employees have resigned in the last 12 months



Hong Kong 59%

South Korea 59%

Japan 46%

SMEs

Implications for the logistics industry

It's **not** the role of logistics providers to give advice to SMEs on talent retention, the best training or the best recruitment channels.

However, **logistics providers can support SMEs through their talent challenges** by creating easy-to-use tools that make day-to-day, repetitive shipping tasks simpler – employees can then step up and take on more challenging, enjoyable tasks and this may help retention at a time when Asia Pacific¹ employees are scoring about 10% lower than their global peers when asked whether they felt they belong at work.

The key implication for the logistics industry is that **tools and solutions** need to be smooth, seamless and easy to use so they **save time on processes, minimize training time** and make day-to-day work **friction free** – this makes it easy to onboard staff and helps them enjoy their jobs so they stay longer.



04 Sustainability Tensions

Whilst SMEs and Consumers are both very aware of the need for sustainability, in their words, their choices and their actions, it's tough to get the balance right. Overall, SMEs tend to under-estimate how important sustainability is to Consumers.

The challenges of delivering items quickly and sustainably are writ large in the Indian mindset with SMEs and Consumers alike more likely to state that delivery lead-time is the more important of the two considerations.

Key drivers behind the trend

SMEs currently under-estimate the importance of sustainability to Consumers – and many are only now getting their act together in developing an ESG strategy which could help to differentiate them in the eyes of Consumers.



80%

Four out of five¹ environmentally and socially conscious Consumers actively recommend sustainable products they like.



90%

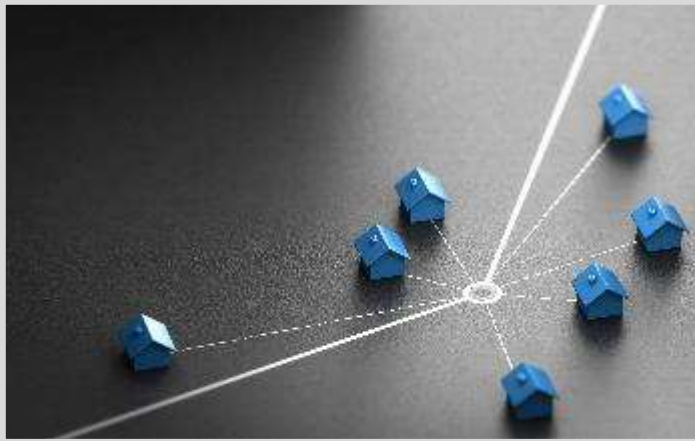
90%¹ of Consumers are willing to pay a premium for products that have a (proven) positive environmental impact..



x 20

Google¹ searches for ESG terms increased more than 20 fold in some Asian markets over the past five years.

Sustainability Tensions means there is uncertainty – among SMEs and also among subject matter experts – as to just how important sustainability considerations are to Consumers. Can sustainable business practices truly pay dividends for SMEs or are Consumers just paying lip service to sustainability?



Last mile delivery demands are in conflict with sustainability

SMEs are unclear on where their customers' priorities lie – is fast delivery in conflict with sustainability?



SMEs believe delivery speed and price matter most to Consumers

There is a sense among SMEs (and market experts) that Consumers are paying lip service to sustainability ...

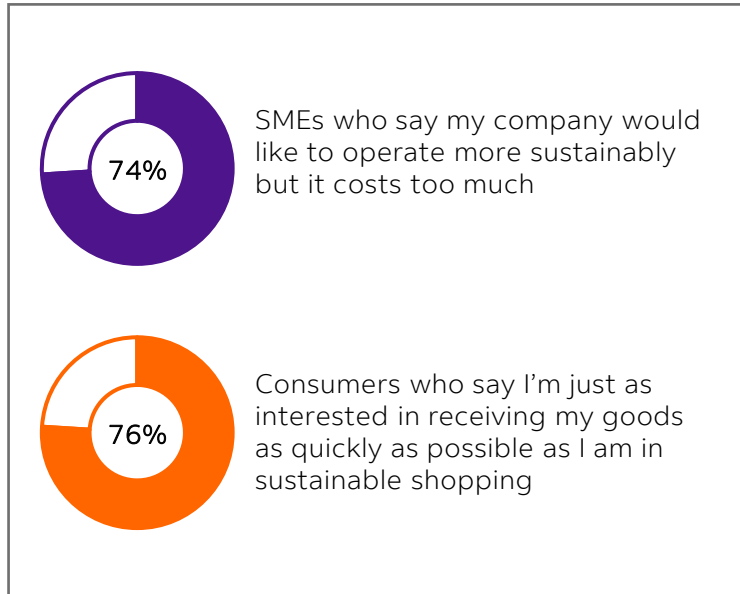


Sustainability and ESG matter more to Consumers than SMEs assume

.. but Consumers make it clear that sustainability really does matter and can be a differentiator when they are deciding who to buy from.

Last mile delivery demands in are conflict with sustainability

Experts believe that SMEs are unclear on what the e-commerce customer prioritizes – is it getting their items quickly and cost-effectively, or is it getting them through a sustainable delivery chain?



Commercial growth is not always good for the environment, and this is particularly pertinent for SMEs that are looking to get their goods in the hands of customers as quickly as possible whilst still demonstrating their sustainability credentials. And in particularly fast-moving markets, like those we see across AMEA, SMEs are racing to figure out the implications of the increased focus on environmental, social and corporate governance (ESG) for their business.

Market experts identify clear tensions around sustainability in the context of delivery lead-times and have a sense that Consumers may be paying lip service i.e., that they will always favor fast delivery when it comes to the crunch.

SMEs acknowledge that Consumers expect them to operate sustainably ...but there can be associated costs and they are not convinced of any return on their investment in this area.

Consumers confirm that delivery speed is an important consideration for them – but alongside sustainability rather than instead of sustainability.

Logistics providers that can work with SMEs to help demonstrate fast and sustainable logistics will be extremely well positioned to capitalize on this market insight.

SMEs believe delivery speed & price matter most to customers

SMEs to some extent feel that Consumers are paying lip service to sustainability, and this is possibly why only 3 in 10 have an ESG policy in place so far – albeit many are working towards this right now.



8 in 10 SMEs in India believe that customers are more interested in delivery speed and delivery cost than they are in sustainable e-commerce – in other words they feel that sustainability is an area they can avoid altogether or put on the backburner.

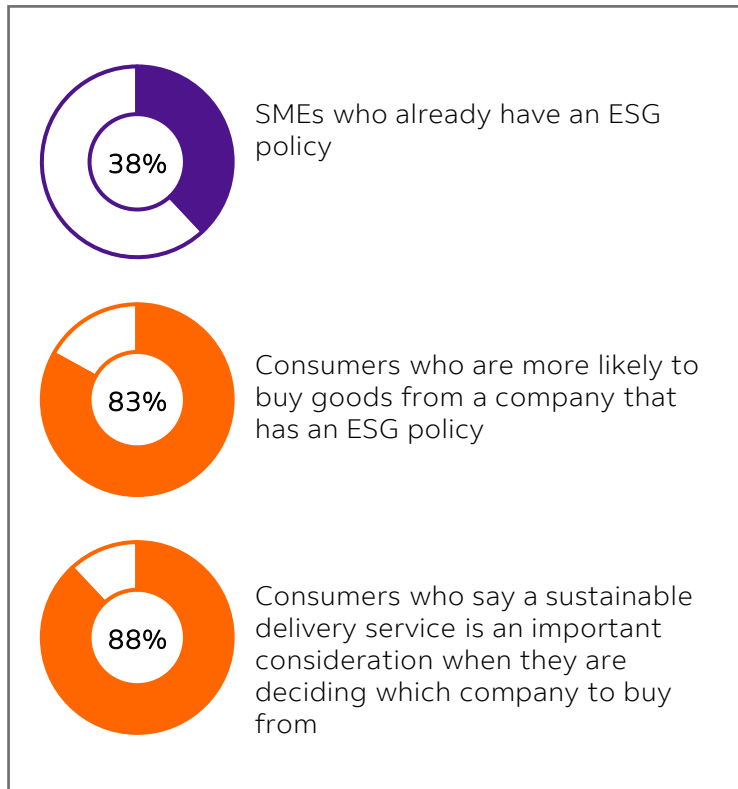
SMEs also, however, agree that customers have expectations around sustainability nowadays

And whilst the majority of Consumers agree that delivery speed matters, they are also highly likely to value sustainability – more so than is expected by industry professionals.

This is a clear opportunity for the logistics industry to take a lead in working with SMEs to delivery on sustainability as well as quickly and at lowest price.

Sustainability matters more to Consumers than SMEs assume

Almost 9 in 10 Indian Consumers expect sustainable e-commerce from companies they buy from and Indian Consumers also make it clear that sustainability is a differentiator in terms of who they buy from. Having an ESG policy in place is a clear differentiator in e-commerce with 3 in 10 Consumers indicating it makes them much more likely to purchase.



These are very compelling statistics from Consumers around sustainability.

Almost 9 in 10 are clear that SMEs that deliver sustainably are likely to get more of their business.

And over 8 in 10 point to ESG policies being a clear point of differentiation when they are choosing which companies to buy from.

This message does seem to be getting through to SMEs but not quickly enough. Right now less than 4 in 10 SMEs have an ESG policy in place.

In the main, these policies do include logistics.

Over half of SMEs are in fact in the process of developing an ESG policy right now – they are strongly recommended to finalize this process as quickly as possible.

Whilst the region as a whole leans more to a preference for sustainable deliveries rather than a full-on focus on delivery lead-time, this varies considerably, and three markets are more lead-time focused.

Consumers in **India** are slightly more focused on sustainability than those in other markets.

Markets where the sustainability focus is most pronounced

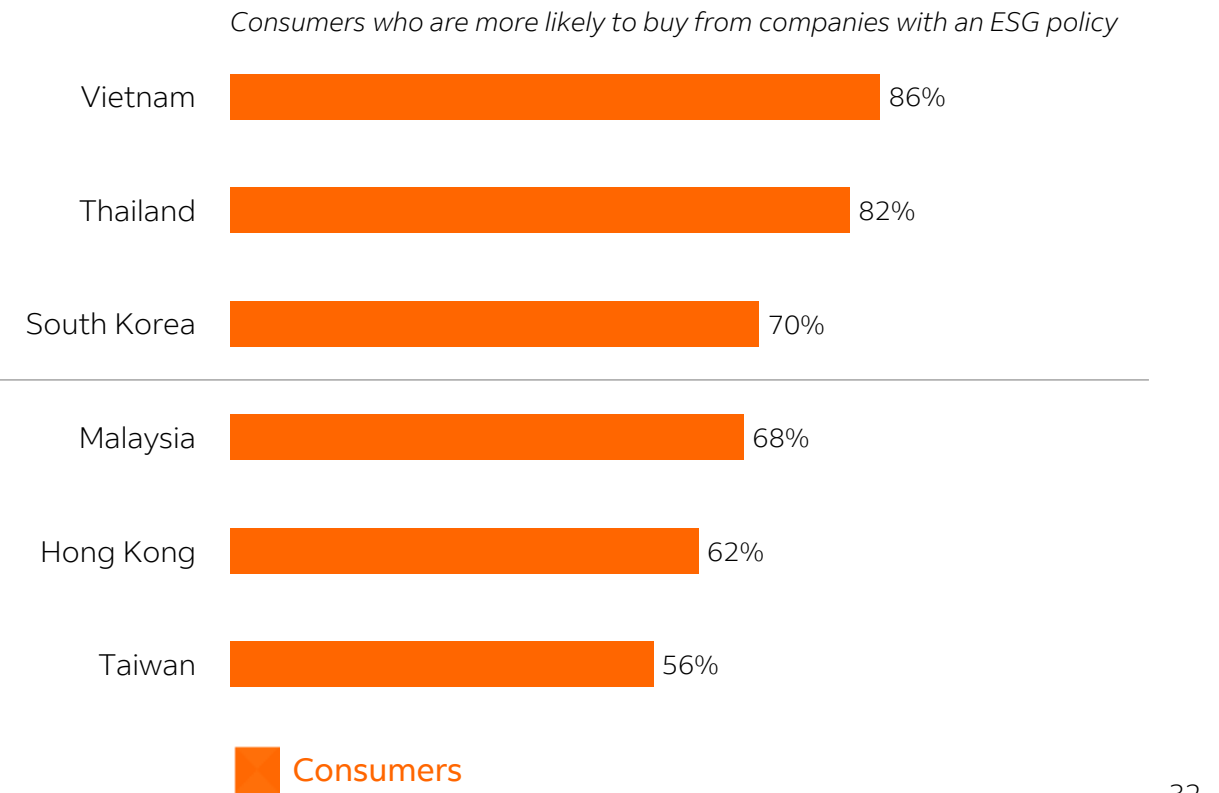
Sustainability matters relatively more than delivery speed to Consumers in Vietnam, Thailand and South Korea.

In these markets, there is an opportunity for logistics providers to work with SMEs to evolve their ESG policy.

Markets where delivery speed matters more

Taiwan, Hong Kong and Malaysia are much more focused on the delivery speed (and cost) than sustainability – in these markets there is an opportunity for logistics providers to educate on what may be coming along in a few years – allowing SMEs to get ahead of the curve.

04 Sustainability Tensions
 There is greater focus on sustainability in Vietnam and Thailand and more focus on delivery lead-time in Taiwan and Hong Kong.



Implications for the logistics industry

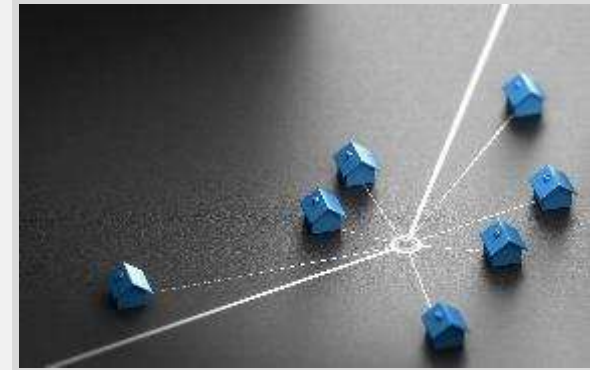
To make and sell goods, consumer businesses need affordable, reliable supplies of energy and natural resources as well as permission from Consumers, investors and regulators to do business. These **enabling factors** can no longer be taken for granted.

The **typical supply chain** creates far greater social and environmental costs than its own operations accounting¹ for more than **80% of its total greenhouse gas emissions**.

Consumers should be able to get their deliveries as timely and as cost effectively as possible **without having to compromise on sustainability**.

Logistics partners have a lot more to contribute to making supply chains more sustainable than simply changing how they **package goods** – though that in itself is important.

Logistics companies should be moving to **digital self-serve service models** that are efficient and more sustainable. Digital solutions **reduce the reliance on paperwork** and can be completed quickly and easily by the customer.

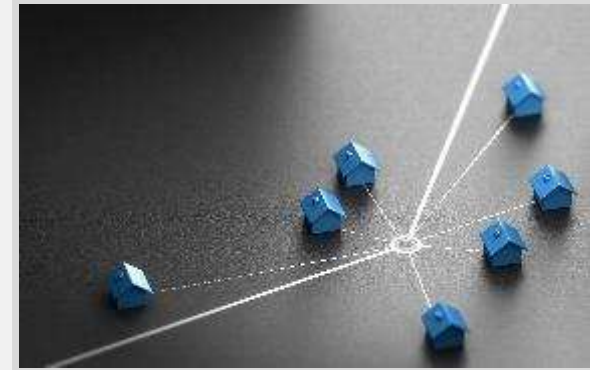


Implications - Continued

When it comes to environmental impact, customers can choose to pick up their deliveries at convenient parcel lockers and busy business districts. This **reduces emissions from last mile delivery and helps decongest city streets.**

The increasing use of **electric vehicles** also helps with this. In future, autonomous delivery solutions will help reduce traffic congestion by keeping larger delivery vans off the road.

Making their entire supply chain/delivery chain more sustainable gives businesses **a point of differentiation** in the market that Consumers will appreciate and reward through their custom and word of mouth.



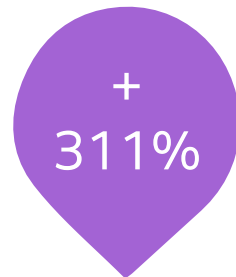
05 More Effective E-tailing

SMEs are looking to offer newer payment options, and target audiences more effectively e.g., through personalization and shoppertainment – and Consumers are very receptive to innovations in these areas.

Indian SMEs and Consumers are advanced in their attitudes towards e-commerce innovations such as newer payment methods, personalization and shoppertainment. Personalization, in particular, is likely to increase and be welcomed.

Key drivers behind the trend

Newer methods of payment can help differentiate e-commerce companies, and SMEs plan to invest more in both personalization and shoppertainment over the next few years. Consumers are on board with both of these initiatives because they demonstrate a sense of innovation and help to differentiate retailers from the pack.



The¹ forecast increase in mobile wallets, across Southeast Asia (2020-2025) resulting in almost 440 million users.



94%¹ of Asia Pacific Consumers say they are willing to spend more with companies that personalize the customer service experience.



39%¹ of Consumers in Asia Pacific have purchased using livestream or live selling in 2021 – the highest region globally..

More Effective E-tailing means understanding the benefits and potential challenges associated with newer payment options and with businesses targeting Consumers in more personal and engaging ways. SMEs need to know whether there will be a return on any investment in these innovations?



New payment options

New payment methods are exploding onto the scene right now – this opens the door to more customers but can open the door to new challenges.



Personalization of the e-commerce experience

Personalization is considered very useful by SMEs, and Consumers are comfortable with it because it shows that a company really gets them.



Shoppertainment

There is good evidence that SMEs should invest more in shoppertainment – Consumers love it and relatively few of their competitors are doing it right now.

Newer payment methods can bring challenges

Experts expect to see an explosion in new payment options moving forward – as companies target the widest possible audience in an increasingly competitive e-commerce landscape.



The increasing popularity of mobile wallets, especially in Southeast Asia, where many Consumers are unbanked, is likely to accelerate e-commerce growth across the region.

This is an opportunity for SMEs to innovate by offering payment methods that their competitors may not.

SMEs are still getting to grips with newer / alternative payment options but are aware that they may lose out on custom if they stand still in this regard. Right now 3 in 10 offer Buy Now Pay Later and 14% offer cryptocurrencies.

Consumers agree that newer payment methods can help to differentiate e-commerce companies.

Some businesses are struggling to integrate new payment methods into their systems and day-to-day operations and this sometimes causes issues e.g., cybersecurity or fraud.

Cybersecurity and customer fraud are SMEs' top two pain points and the areas they would most welcome support from logistics providers right now.

Personalization is a great way to engage Consumers

Almost 9 out of 10 Indian SMEs believe personalization improves the e-commerce experience. There is also a strong belief that personalization conveys the message that a company really 'gets' its customer base.



In an increasingly competitive retail landscape, it's vital that SMEs stay relevant in the digital space. One way of doing this – that many are already engaging in – is personalization of the end-to-end retail experience.

SMEs believe Consumers are generally open to personalization and sharing of their data.

Indeed, very few Consumers have any issues with personalization – the majority feel comfortable with this and believe that it improves their e-commerce experiences.

The vast majority of SMEs plan to invest more in personalization – and this is the right move because Consumers say they will give more of their business to companies that personalize effectively. .

Shoppertainment is used less at the moment but is set to grow

Whilst only a third of Indian SMEs are currently using shoppertainment – typically livestreaming and influencers – to engage Consumers, this approach is set to grow significantly in future.



One of the more obvious impacts of the pandemic was to limit in-person interaction with brands and products – resulting in less of emotional connection.

Digital came to the rescue with the advent and expansion of livestreaming helping to bridge the lack of connection Consumers were experiencing.

Only 1 in 3 SMEs are currently using shoppertainment to engage with customers – typically this is livestreaming or through influencers rather than gamification.

However, the vast majority of those who are not doing so already are considering doing so.

And this appears to be a good move because over half of Consumers are already engaging with shoppertainment and the majority indicate that it encourages them to make e-commerce purchases.

Other research¹ points to 39% of Consumers in Asia Pacific having purchased using livestreaming or live selling in 2021, the highest region globally.

SMEs and Consumers in all eleven markets are broadly positive about innovations around payment and marketing that we have described as ‘more effective E-tailing’.

But there are different degrees of positivity to be found across both audiences.

India is one of the three most positive AMEA markets.

Markets where the trend is most pronounced

The Philippines, Vietnam and **India** are the three markets where we see greater desire for innovation – it’s not surprising that these three markets were also most positive to the e-commerce Revolution in general.

Markets where the trend is weaker

And similarly, markets that are less engaged generally by the e-commerce Revolution, are also less enthusiastic about e-commerce innovations: Japan, Australia and South Korea.

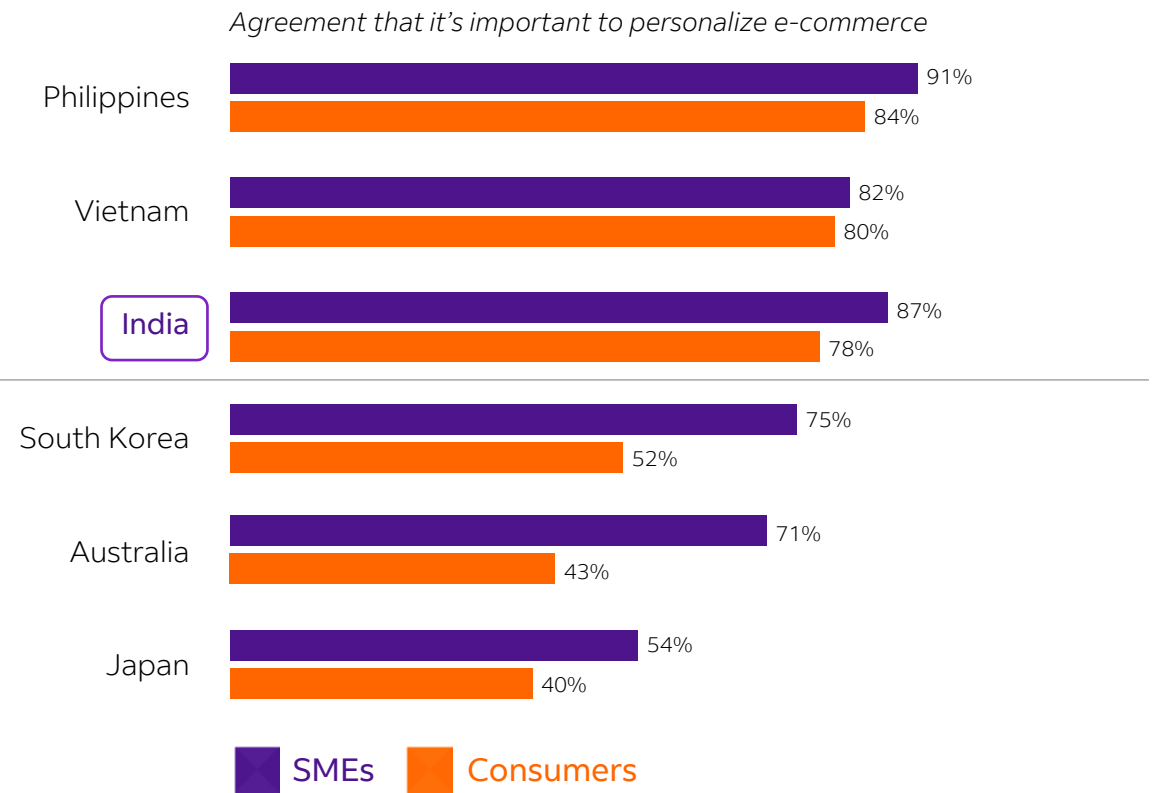
05

More Effective E-tailing

SMEs and Consumers in Philippines, Vietnam and India are most positive about innovations taking place in e-commerce.

Less Positive More Positive

JP AU KR HK TW SG MY TH IN VN PH



Implications for the logistics industry

Logistics partners can contribute significantly to the personalization of e-commerce services through the **personalization of delivery**.

For example, by allowing customers to choose where and when they want their consignments delivered – and even allowing them to change the time and location part way through delivery.

Asia Pacific retailers need to **follow the eyeballs of their customers**¹. They need to optimize their presence on marketplaces and they should keep asking themselves if they are serving up the right content formats for current preferences. Right now this might be through **influencers and/or livestreaming** but tomorrow this may evolve again.

And let's not forget that livestreaming requires **a more responsive logistics service** that can accommodate a significant number of orders in a short period to ensure smooth operations and delivery aligned with customer expectations.



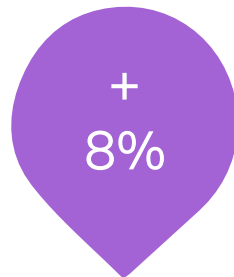
06 Shopping Festivals

E-commerce events continue to make a difference to AMEA Consumers – in fact, many would like even more. There is also a clear need from SMEs for increased logistics support during key pinch points.

Shopping festivals will remain an important part of the e-commerce landscape in India, although Consumers are less likely than those in the region as a whole to be looking for more of these.

Key drivers behind the trend

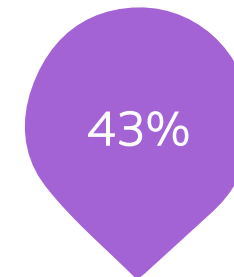
Consumers show no signs of losing interest in shopping festival events with around half indicating that they would like to see more.



Alibaba¹ recorded an 8% increase in GMV for Singles Day 2021 despite subdued festivities.



Indian² online fashion Marketplace Myntra saw a record 19 million visitors to its site on the first day of its annual Big Fashion Festival 2021.



86%³ of internet users in South East Asia bought products online during a 2021 double-digit festival with 43% first-time digital buyers.

Shopping Festivals we checked whether SMEs and / or Consumers are losing interest in a range of different shopping festival events from seasonal discounts to specific events like Black Friday or Double Days. The clear finding is that SMEs continue to find these beneficial and around half of Consumers would prefer to see more in future.



Festivals remain a key component of the SME strategy

Almost all Indian SMEs will hold events in the next 12 months and most of these will require additional logistics support.

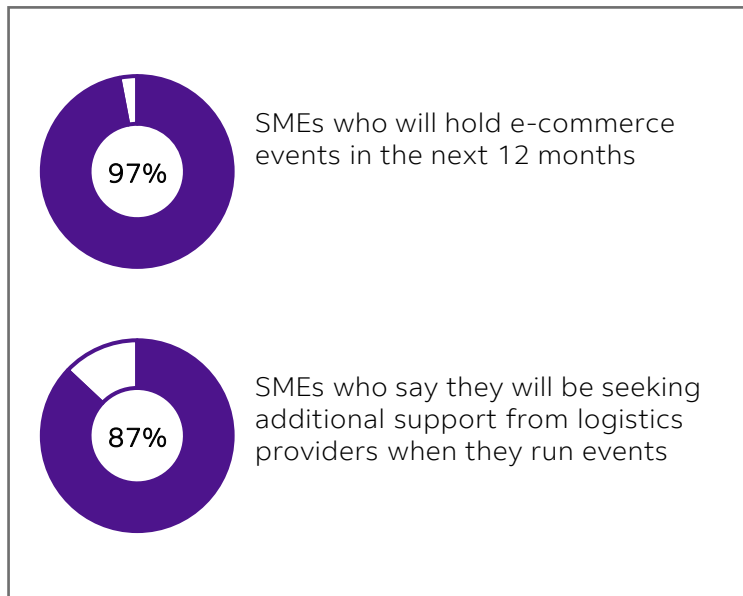


Festivals also remain very popular with Consumers

Around two-fifths would like to see even more of these in future

Festivals remain a key component of the SME strategy

There are clear pinch points for Indian SMEs around these events when the majority will need greater support from logistics providers.



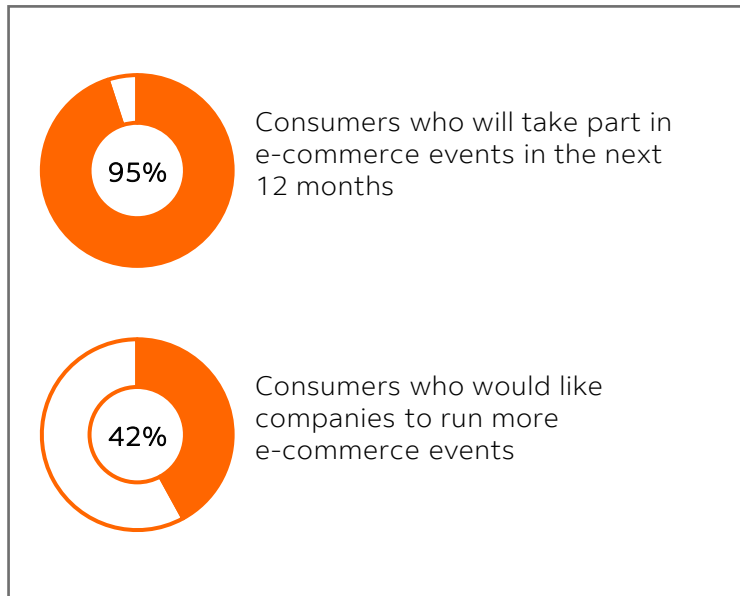
Most Indian SMEs will hold e-commerce events over the next 12 months – with seasonal discounts most common.

The vast majority will seek additional support from logistics providers.



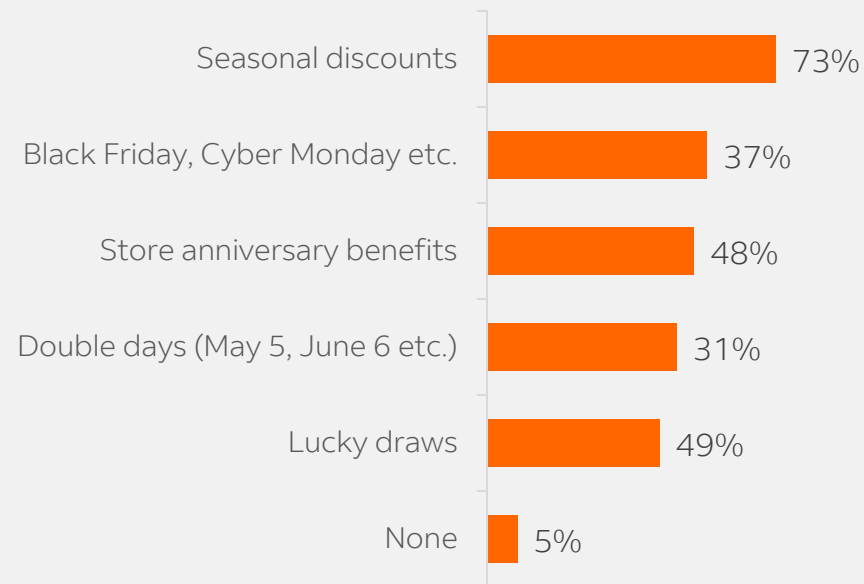
Festivals also remain very popular with Consumers

Most Consumers will take part in at least one shopping festival and around half would prefer to see more events in the next 12 months.



Almost all Indian Consumers across the region will take part in an e-commerce event in the next 12 months.

Over two-fifths would prefer it if companies ran more e-commerce events.



There's high consistency across AMEA markets when it comes to SMEs running and Consumers taking part in shopping events or festivals. These remain very popular!

The differentiation comes with any desire to increase the number and some markets are much more receptive to this than others.

India sits in the mid-higher end of the 11 markets in terms of its positivity to shopping festivals.

Markets where the trend is most pronounced

Vietnam, Philippines and Thailand see the greatest call for even more shopping festivals.

Markets where the trend is weaker

Consumers are less into shopping festivals in Australia, Singapore and Japan.

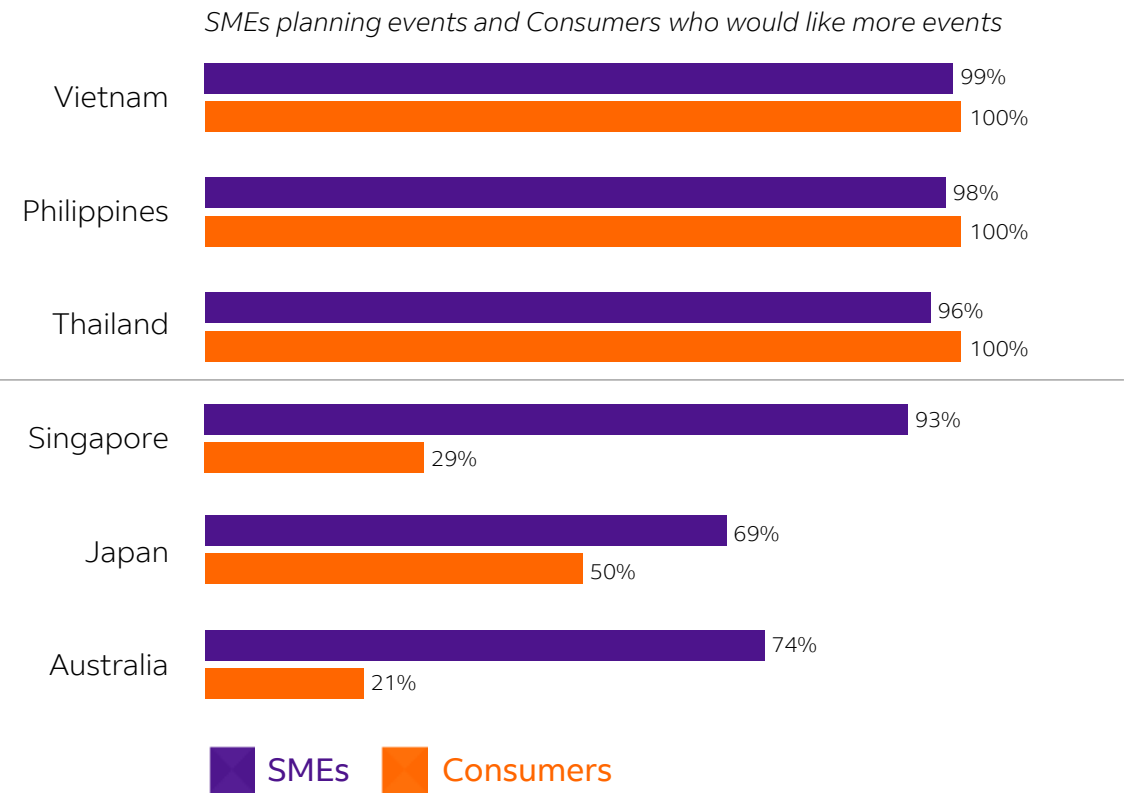
06

Shopping Festivals

Festivals and events continue to be popular with SMEs and Consumers, particularly in Vietnam, Philippines and Thailand..

Less Positive
➔
More Positive

AU JP SG KR HK TW IN MY TH PH VN



Implications for the logistics industry

Shopping¹ festivals across AMEA are changing consumer habits by **encouraging adoption of digital payment solutions**, and turning shopping into a more gamified, multimedia experience.

As for livestreaming – logistics service providers need to be able to **accommodate a significant number of orders within** a short period, but also **over an extended period of time** to ensure smooth operations and delivery within service expectations.

In AMEA the gifting season is much longer than it is in the West. AMEA peak season starts with Diwali, continues through to Double 11, Black Friday and Christmas and continues through to Chinese New Year.

