



Deloitte's Omnichannel Competitive Landscape Services Consumer Product Goods Study



Introduction



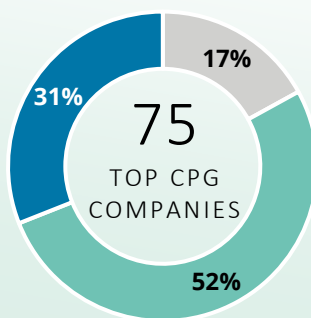
Since 2010, over 60 retail companies have closed or merged through acquisitions and the remaining retail companies have shuttered over 26K brick & mortar store locations across North America.¹ The media-labeled “Retail Apocalypse”² has left the Consumer Product Goods (CPG) industry scrambling to recover from the demand headwinds that have resulted from the reduction in available retail outlets.

Both the CPG and Retail industries have been looking to digital solutions to help them recapture market shares and sales volumes, but the net result has blurred roles across traditional wholesale and retail operating models.

While most CPG companies still leverage their digital presence to support their retail partners, nearly one-third of 75 top CPG companies Deloitte researched are selling their products online direct to consumers.

Although transforming into a retail outlet may seem like a natural survival strategy, there are many factors that CPG companies should consider before they pursue direct sales channels. Failure to carefully assess and address these factors may lead to overall net profit declines and brand degradation from a consumer and market perspective.

Deloitte's Omnichannel Competitive Landscape Study of Consumer Product Goods Companies' Websites



17% Indicate Retail Outlets

52% Provide Integration to Online Retail Outlets

31% Sell Direct to Consumer

DIRECT TO CONSUMER BENEFITS FOR CPG COMPANIES

- Helps mitigate risk of sales decline due to decreasing retail outlets
- Direct access to consumer data and purchase trends
- Greater control over product assortment & price offerings



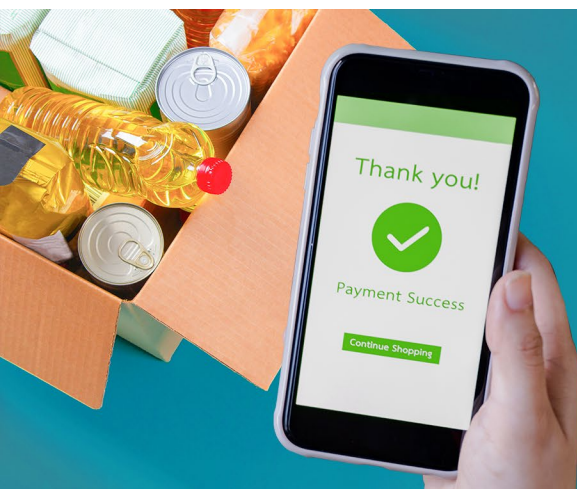
POTENTIAL GROWTH

PROFITABLE LOYALTY CONSIDERATIONS

- Expense drivers & margin impacts throughout the supply chain pipeline
- Consumer services required & post purchase experience effects on brand
- Impact on wholesale customer relationships



POTENTIAL RISKS



With digital search & social media putting dozens of options at the consumer's fingertips, CPG companies should consider the risk to relationships with their core wholesale customers... CPGs entering the digital marketplace could be perceived as a competitive rivalry rather than a cooperative partnership

Inherent Margin Drains for Digital Sales Channels



As we shared in **Deloitte's 2024 Consumer Products Industry Outlook**³, over 60% of CPG executives we surveyed indicated that developing or strengthening direct to consumer channels was a key priority for their companies.

However, from our industry perspective, traditional stores may still be the most efficient way to acquire customers, especially for consumer products with a lower average selling price.

Additionally, the end-to-end costs to transform wholesale operations and supply chains from pallet or carton level handling to unit level processing needs to be accounted for. Based on the average industry case pack sizes, **this shift could require 24X to 100X more product touches and customer contacts to fulfill and achieve the same volume as wholesale orders**⁴.

Expense Drivers & Margin Impacts Throughout The Direct-to-Consumer Pipeline



SITE
HOSTING

- Site, mobile, & social commerce application maintenance
- Payment authorization & fraud protection services
- Post purchase customer emails & communications



ORDER
FULFILLMENT

- Warehouse storage & management systems for unit level processing
- Allocation systems to optimize network fill assignments
- Sustainable packaging materials for unit level last mile delivery



LAST MILE
TRANSPORTATION

- Small parcel, postal, courier or gig economy service costs vs. commercial trailer services
- Surcharges for residential address delivery
- Non-receipt/ Damaged package carrier claims management



REVERSE
LOGISTICS

- Online portals or other vehicles to receive customer return requests
- Return package delivery expense
- Unit level return processing, inspection & disposition procedures

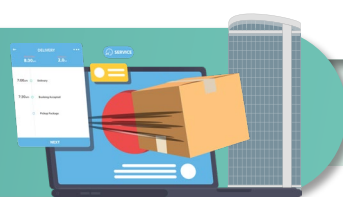


CUSTOMER
SERVICE

- Online service pages & FAQs maintenance
- Phone, chat, & email vehicles to receive customer inquiries
- 24/7 coverage to accommodate global digital customers

70% of the CPG companies we researched only offer customer service support Monday through Friday during business hours for their time zone... adding inconvenience & frustration for digital consumers who need assistance

Omnichannel Capabilities for Leading Retailers vs. CPG Companies



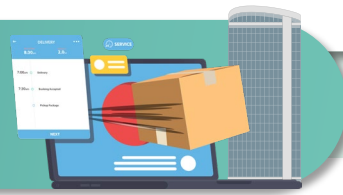
The temptation to pursue digital sales growth without mature omnichannel capabilities could present the greatest risk to consumer loyalty for a brand. Our research found significant gaps in the basic online services being offered by leading traditional retailers vs. CPG companies. The capabilities shown in the chart below are table stakes for meeting digitally savvy consumers' expectations. Falling short in these areas could alter consumer perception of a company's products, innovative competence and customer-centric focus.

SAMPLE OMNICHANNEL CAPABILITIES BENCHMARKS

		LEADING RETAILERS	CPG COMPANIES	
CLIENTELING	Have a Mobile App	83%	13%	Low engagement with digitally native consumers
	Sell via Social Commerce Platforms	92%	25%	
	Offer Gift Services	53%	22%	
CHECKOUT	Accept PayPal in lieu of Credit Card	99%	74%	The only metric where CPG is leading
	Accept Additional Payment Applications	25%	48%	
	Delivery Date vs. Estimated Days Shown	71%	22%	
DELIVERY	Median Calendar Days for Standard Delivery	7	9	Standard services take 21% longer & cost 29% more
	Median Fee for Standard Delivery	\$7.00	\$8.50	
	Offer Expedited Small Parcel Services	85%	52%	
	Offer Additional Pickup / Delivery Services <i>Pickup at Company / 3rd-party Store, Ship to Store, Economy & Same Day Delivery</i>	89%	4%	
RETURNS	Accept Customer Preference Returns	100%	74%	Drives customer service contacts & expense
	Return Requests Submitted via Online Portal	85%	13%	
	Offer Additional Return Services <i>Return to Store, Third-Party Drop off, Refund at Carrier Pickup, Online Exchanges</i>	96%	0%	

In addition to these sample benchmarks, Deloitte researched over 100 touchpoints across the customer's post purchase journey... contact us to learn whether your company's current capabilities are leading or lagging vs. your competitive peer groups

Omnichannel Capabilities for Leading Retailers vs. CPG Companies



And the omnichannel competitive landscape is ever evolving with new services and capabilities constantly being offered across the industry. In addition to covering the basics, CPG companies should ensure their digital systems and infrastructures are nimble enough to quickly and continually expand their services to stay in step with emerging trends.



Services offered to and experienced by customers throughout their shopping journeys establish their trust and drive their loyalty for a brand... when trust is high, consumers are 1.8X more likely to buy that brand again⁵

An Alternative Solution to Achieve Profitable Loyalty Through Digital Retail Partner Collaboration



Our research found that many **leading CPG Companies** are leveraging third-party software solutions to integrate their retail partners' online platforms into their proprietary company websites... **providing consumers the ability to make an immediate purchase.**

This collaboration can offer CPG companies the best of both omnichannel worlds by sharing the power of their products directly with end consumers without the risks and expense to sustain the optimal post purchase experience.

How Integrated CPG / Retail Ecommerce Frequently Works

<https://www.cpgcompany.url>



CPG proprietary website sells the product



About This Item:

- Product Details & Selling Attributes
- Dimensions & Key Characteristics

Buy Now



Customer Location

Integrated ecommerce service enables immediate purchase



Available at Retailer 1



Available at Retailer 2



Available at Retailer 3

WHY CPG COMPANIES LIKE INTEGRATED ECOMMERCE



Direct access to end consumer data and purchasing trends



Incremental sales volume at the same margin rates as wholesale business

WHY CUSTOMERS LIKE INTEGRATED ECOMMERCE



Product purchases can be combined with other shopping needs with reduced transactions and fees



Traditional retailers provide the post purchase services & experiences expected for online shopping

About Deloitte's Omnichannel Competitive Landscape Services



We research & test omnichannel services **offered by 145 global companies** collecting **over 70 data points** across the customer journey. We then apply intelligent analytics to our data to establish year over year performance indicators and identify new emerging trends.

Who is Included in Our Studies

145 global companies



SPECIALTY RETAILERS	42%
WHOLESALE BRANDS	28%
DEPARTMENT STORES	7%
FAST FASHION	7%
DISCOUNT & OFF-PRICE	6%
BIG BOX & MASS MERCHANTS	3%
CONSUMER PRODUCTS	3%
RESALE / CIRCULAR MARKETS	3%

HOW WE COLLECT OUR INFORMATION



Research company store policies & online service offerings



Conduct store shopping, online order & return performance tests



Advanced analytics to identify performance levels and capability trends

Company Statistics

Annual Revenue (Billions)

20%	32%	23%	10%	6%	3%	5%
Under \$1	\$1 - \$4	\$5 - \$9	\$10 - \$24	\$25 - \$49	\$50 - \$99	Over \$100

Headquarters

37%	26%	19%	14%	2%	2%
Eastern US	Western US	Central US	Europe	APAC	Canada

Markets Served

100%	53%	52%	51%	48%
North America	Europe	APAC	Other Regions	Central / South America

Years in Business

19%	26%	33%	21%
Under 25	25 - 49	50 - 100	Over 100

Brick & Mortar Stores

14%	6%	14%	17%	10%	16%	23%
None	Under 25	25 - 99	100 - 249	250 - 499	500 - 999	Over 1k

WHAT THIS ENABLES US TO SHARE



Key omnichannel performance benchmarks across retail industries



The end-to-end global competitive landscape



The optimal post purchase journeys for your customers



Want To Learn More About Where Your Company Resides In The Omnichannel Competitive Landscape Spectrum And How Deloitte Can Help You Advance Your Capabilities?

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Endnotes:

1. <https://www.usatoday.com/story/money/2019/12/29/decade-store-closings-biggest-retailers-lost-decade/2750954001/>
2. <https://www.forbes.com/sites/pamdanziger/2017/07/13/retail-apocalypse-what-comes-next/>
3. <https://www.deloitte.com/global/en/Industries/consumer/analysis/consumer-products-industry-outlook.html>
4. <https://sellercentral.amazon.com/seller-forums/discussions/t/1364e5b381f0991779e8e27b144c1d9a>
5. Deloitte TrustID™ Enterprise Trust Program.





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