



# THE CONNECTED SHOPPER IN EURASIA & AFRICA

2016

# COCA-COLA RETAILING RESEARCH COUNCILS

Since 1978 the Coca-Cola Retailing Research Councils have sought to serve their industry by identifying and studying topics that shape the future for grocery retailers in their respective markets.

The success of each Coca-Cola Retailing Research Council comes from the vision and commitment of its diverse members, comprised of individuals from companies, large and small, who demonstrate leadership and vision while maintaining day-to-day responsibility for running their businesses.

The 16 members of the Coca-Cola Retailing Research Council for Eurasia & Africa dedicated their time on behalf of all the actors in a grocery industry spanning 85 different countries.

	GIVEN NAME	SURNAME	COMPANY	COUNTRY REPRESENTATION	COUNCIL TERM
1	Dipl. Ing. Mustafa	Altindag	Şok Market	TURKEY	Until 2015
			Altindag Consulting		From 2015
2	Pieter	Boone	Metro Cash & Carry	RUSSIAN FEDERATION	2014 - July 2015
3	Anil	Benard-Dendé	Cnova	INTERNATIONAL	August 2015 - Present
4	Richard	Brasher	Pick n Pay Retailers (Pty) Ltd	AFRICA	2014 - Present
5	Paresh	Buch	Spinneys Dubai LLC	UNITED ARAB EMIRATES	2014 - Present
6	Dr. Jonathan	Ciano	Uchumi Supermarkets	KENYA	2014 - August 2015
7	Stephan	DuCharme	X5 Retail Group	RUSSIAN FEDERATION	2014 - Present
8	Eric	Legros	Majid Al Futtaim Retail	MIDDLE EAST, CENTRAL ASIA & EAST AFRICA	2014 - Present
9	Tony	Maher	O'Key Group	RUSSIAN FEDERATION	2014 - July 2015
10	Mehmet Tefvik	Nane	CarrefourSA	TURKEY	2014 - February 2016
			Pegasus Airlines		March 2016 - Present
11	Mike	Prentice	The Spar Group	SOUTHERN AFRICA	2014 - Present
12	Zyda	Rylands	Woolworths South Africa Ltd.	SOUTH AFRICA	2014 - Present
13	Eduardo	Salomé	Nova Rede de Supermercados de Angola	ANGOLA	2014 - Present
14	Neel	Shah	Nakumatt Holdings Ltd.	EAST AFRICA	2014 - Present
15	Damien	Veilleroy	Metro Cash & Carry	ASIA	2014 - Present
16	Willard	Zireva	OK Zimbabwe Ltd.	ZIMBABWE	2014 - Present

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# EURASIA & AFRICA

Eurasia & Africa is a vast and dynamic region with a population of more than 1.9 billion people across 85 countries on three different continents. It is a region of where the population is projected to grow at 2% per annum through 2020 with annual projected growth in personal consumption expenditure at 3% over the same period.



## ABOUT NIELSEN/CAMBRIDGE

*Nielsen is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement and also provides its clients with analytics that help improve performance. The Cambridge Group (TCG), a leading growth strategy consultancy that is part of Nielsen, supports clients to develop/execute targeted business strategies to dramatically improve their performance/revenue*





## INTRODUCTION

These are times of rapid innovation and change in the Eurasia and Africa region. Improvements in health, nutrition, and diplomacy have nearly doubled life expectancies over the past century. This in turn has blurred traditional life stages, allowing many to remain active at ages when people formerly slowed down. Even with a recent slowdown, trade across the region has expanded on the back of better governance, raising the living standards for millions of consumers. Technological innovation and competition have made it possible for millions of consumers in the region to hold in one hand a mobile device with more computing power than the last U.S. space shuttle.

The improving lives of consumers continue to create numerous opportunities for retailers in Eurasia and Africa who in turn offer new and better shopping experiences in their stores and on their websites. New hypermarkets and shopping malls continue to open in the region alongside new neighborhood retailing and convenience concepts. Across markets and channels, grocers are introducing retail offers that serve an expanding range of ages and tastes. Across the region, it is possible to see in stores the early stages of innovation for connected consumers.

All these changes are powerful and significant, but the pace of change in digital connectivity is faster than any other universal phenomenon in Eurasia & Africa. As a result, the retailers of the Coca-Cola Retailing Research Council Eurasia & Africa (CCRRC) focused this study on the changing expectations of connected consumers and connected shoppers in the 85 countries of this region. We believe that much as the first mobile revolution—feature phones—allowed Eurasia & Africa to leapfrog landlines, the second mobile revolution—smartphones—will allow Eurasia and Africa consumers to leapfrog the separate brick-and-mortar and traditional e-commerce retail experiences and move directly into connected shopping across channels. Some of the recommendations we will make in the conclusion of this report are not currently available in the best retailers of Paris or New York.

We believe this leapfrogging will occur for two reasons. First, the explosion of mobile connectivity has created an enormous gap between consumer expectations for connectivity and realities in both the physical and e-commerce spaces. The activities connected consumers engage in—for example, communicating via

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WhatsApp and adding emojis to their messages—are relevant across all channels. The first retailers to close the gap will be more successful in delighting existing customers and generating incremental growth. Second, the lack of legacy retail stores and e-commerce infrastructure in many Eurasian and African markets increases the likelihood of a leapfrog event. In addition to adapting existing stores, retailers can and will build new physical stores—and digital stores—designed to delight the connected consumer. Countries including Kenya, Nigeria, Russia, and Turkey have already demonstrated the ability to leap over established patterns of development. Innovators in electronic payments (M-Pesa in Kenya) and e-commerce (Hepsiburada in Turkey, Jumia in Nigeria, and Ulmart in Russia) have gained considerable market share and are proof positive that Eurasia and Africa may not have to follow a traditional, linear path.

We believe this is the most comprehensive study of its kind across Eurasia and Africa. We have interviewed 24 experts, conducted 36 focus groups and video diaries, directly observed 400 consumers' behavior on their actual mobile and personal computers, and quantified more than 3,000 consumers' psychographics and desires. The resulting insights will not only inform grocery retailers in these regions; they will benefit retailers around the world.

The CRRRC Eurasia & Africa would like to set some clear expectations for readers at the outset.

First, is regarding brand and strategy: the CRRRC emphasizes that regardless of how exciting the possibilities created by connectivity, having a relevant and differentiated position in the marketplace remains paramount. The new connectivity is not a replacement for a distinctive brand position; rather, it should solidify and amplify your position, which needs to have strong emotional resonance with your shoppers. It should be hand in glove with your retail strategy, be that low prices, a great assortment, or an amazing experience. If your brand positioning and strategy are clear and compelling, connectivity will greatly enhance your execution and results—but this report is not designed to provide those fundamentals.

Second, the study's insights can have no value without smart execution. Some of the insights may seem obvious; however, even obvious insights can be opportunities if they have not yet been activated. Each insight can be implemented to a certain range and degree. Grocers will need to execute them to an extent that makes them clearly noticeable by the consumer and sufficiently differentiates the grocer from the competition. In addition, retailers must be careful not to overinvest, making payoff and ROI disappointing.

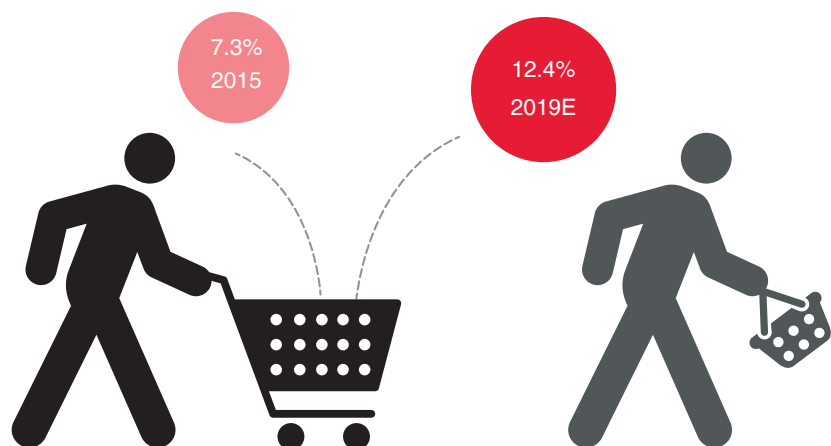
CRRRC is excited to spark this conversation about the connected consumer. We trust that the best insights will come as readers implement our ideas and help us advance our thinking on retail in the connected world.



## OBJECTIVES AND SCOPE

More than half the world's people are already connected to the digital universe, whether on computers or mobile devices. Connectivity is now an integral part of life without which they would struggle. Even recently connected consumers in Eurasia and Africa tell us that without connectivity, they would “feel naked”; “life would be paralyzed” or “like a crime.” One said, “Bury me in a box.” But many of these connected consumers are not yet connected shoppers in the sense of purchasing goods in the digital universe. E-commerce—defined as shopping and buying on a personal computer outside a store—is growing in Eurasia and Africa, but remains a small portion of total retail.

### GLOBAL E-COMMERCE SHARE OF RETAIL (BY EMARKETER)



Source: eMarketer 2015 report

We believe retailers can convert connected consumers to connected shoppers in a two-step process. The first step is anticipating the magnitude and nature of connectivity changes in your market and adapting your specific retailing strategy accordingly. The second step is activating connected shopping through a portfolio of safer short-term bets (based on observable behavior today and expressed wants) and a set of riskier long-term bets (based on potential behavior and extrapolated wants).



This report offers insights and implications about these two steps in six markets of Eurasia and Africa: Turkey, Russia, the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA), Kenya, and South Africa. These markets constitute a diverse but representative cross-section of the region.

We will explore connectivity across all channels, but with a greater focus on the impact of mobile connectivity on physical stores, given that physical retail will represent the majority of shopping trips in the region for years to come. At the same time, our view is that the impact of mobile connectivity similarly translates to e-commerce as well in a very complementary fashion.

We have intentionally skewed our quantitative findings toward urban shoppers, who are far more likely to have smartphones. They represent the biggest upside, have the best insights, and are representative of the future of all consumers. We will provide further details on methodology later in the report but wanted to call out this detail to lend context as you read and interpret our findings.

To conduct this study, the CCRRC partnered with Nielsen, the global leader in independent consumer measurement and improvement, and The Cambridge Group (TCG), a leading growth strategy consultancy that is part of Nielsen. To build our fact base and inform our conclusions, we have leveraged global data from Nielsen, TCG approaches and intellectual capital, and CCRRC proprietary consumer studies, including desk research, focus groups, shopper videos, psychological drawings, direct digital observation on laptops and mobile devices, and a quantitative study across the six markets. Finally, the study draws on the collective experience and wisdom of CCRRC members who are senior executives of leading retailers across Eurasia and Africa.



## EXECUTIVE SUMMARY

Our exploration of the connected consumer has produced three key insights:

- 1. *Constant connectivity cannot be disrupted.*** The ever-growing numbers of consumers who have mobile phones want constant connectivity but are frustrated by local costs and speeds. This is both an opportunity and a risk for retailers.
- 2. *Connectivity will become more multilingual, more visual and in communities.*** Grocers must become fluent in and active users of the new “languages” of connectivity including texting/SMS/social media messaging (55%) and taking/sending photos (45%). Traditional phone calls are only the third most used way to communicate via mobile phone (35%). Both texting and photos are also more conducive to community communication, which is increasing in importance.
- 3. *Constant connectivity can increase grocery baskets.*** Among urban smartphone shoppers, 46% are actively communicating with family and friends while grocery shopping at a store. These consumers spend 1% to 9% more in store, as their mobile phone acts as a ‘digital shopping list’ where family and friends text things to add the basket real time.

The CCRRC believes these findings have three key business implications for grocers.

- 1. *Consumers want grocers to join in current mobile behavior.*** To win in mobile, it’s necessary to join connected consumers’ behavior—not to change it. Urban Eurasia & Africa smartphone shoppers spend 56 times more time on mobile messaging than on grocery and e-commerce apps.
- 2. *Retailers can use connectivity to reduce the chores and increase the fun in the shopping experience.*** Technology may evolve, but the shopping experience will always be some part fun and part burdensome. Retailers who leverage connectivity to add more fun and reduce the chore of shopping will win with connected consumers. When evaluating new connected technology, simply asking how we can use this to increase fun and reduce chore should clarify whether or not a retailer should bet on something new or not.
- 3. *Retailers can carefully leapfrog via a portfolio of near-and long-term bets.*** A leap of any kind can feel risky. To balance that risk, we sequenced seven connected consumer bets that allow retailers to leapfrog with precision and purpose.



## A

## FOUNDATIONAL BET

These are bets that are opportunities in their own right, but also lay the foundation for every other connected consumer bet.

**#1 Free Wi-Fi in stores—**

Among urban smartphone shoppers, 38% want free Wi-Fi in stores, and just 14% use Wi-Fi in stores now. This may seem basic, but can be an on-going opportunity as WIFI speeds improve and expectations increase.

## B

## NEAR TERM BETS

There are three near term bets to be placed by industry participants on the basis of clearly observed behavior and demand among urban smartphone shoppers.

**#2 Real time/Mid Trip personalized marketing—**

Thirty percent are open to want retailers contacting them with offers when they are shopping or thinking about shopping.

**#3 App Ecosystem—**

Sixty-five percent of these shoppers are willing to download a grocery app as well as use their favorite apps with grocers they like today.

**#4 Payment Experience Innovation—**

Twenty percent to thirty five percent are open to either new forms of payment or solutions that make payment easier and faster.

## C

## LONGER TERM BETS

These are partially observed behavior and demand among urban smartphone shoppers.

**#5 Shopping Cart of The Future—**

Twenty-two percent of these shoppers want “the shopping cart of the future. These are carts that support the strong personal connection that connected shoppers have to their mobile devices. Allowing connected shoppers to use their phone through easy maneuverability with one hand as the other holds the phone and at the same time enhancing the capabilities of the phone to accelerate the checkout process, inspire new tastes and build virtual communities within the retail environment.”

**#6 WhatsApp/SMS Call Centers—**

A shift to immediate communication anywhere, including in the store during the shopping trip. Twenty-one percent want the ability to communicate with retailers via platforms like WhatsApp or SMS for small things like “where is this item?” or other needs like taking and sending a photo of an item they would like to see carried in the future.

**#7 VIP Solutions—**

Twenty-one percent want VIP solutions ranging from preferred parking spots to other personal shopping services. In connected terms, this could be about alerting the shopper as to the availability of parking before they arrive at the store or letting shoppers know that a product they had requested is now available for purchase.

All of these bets will help retailers build their baskets, drive trips today and tomorrow, and improve the shopping experience by solving chores and introducing fun. These improvements can begin now and will ultimately mean that the countries of Eurasia & Africa will follow a different retail market development path and can leapfrog to the future.

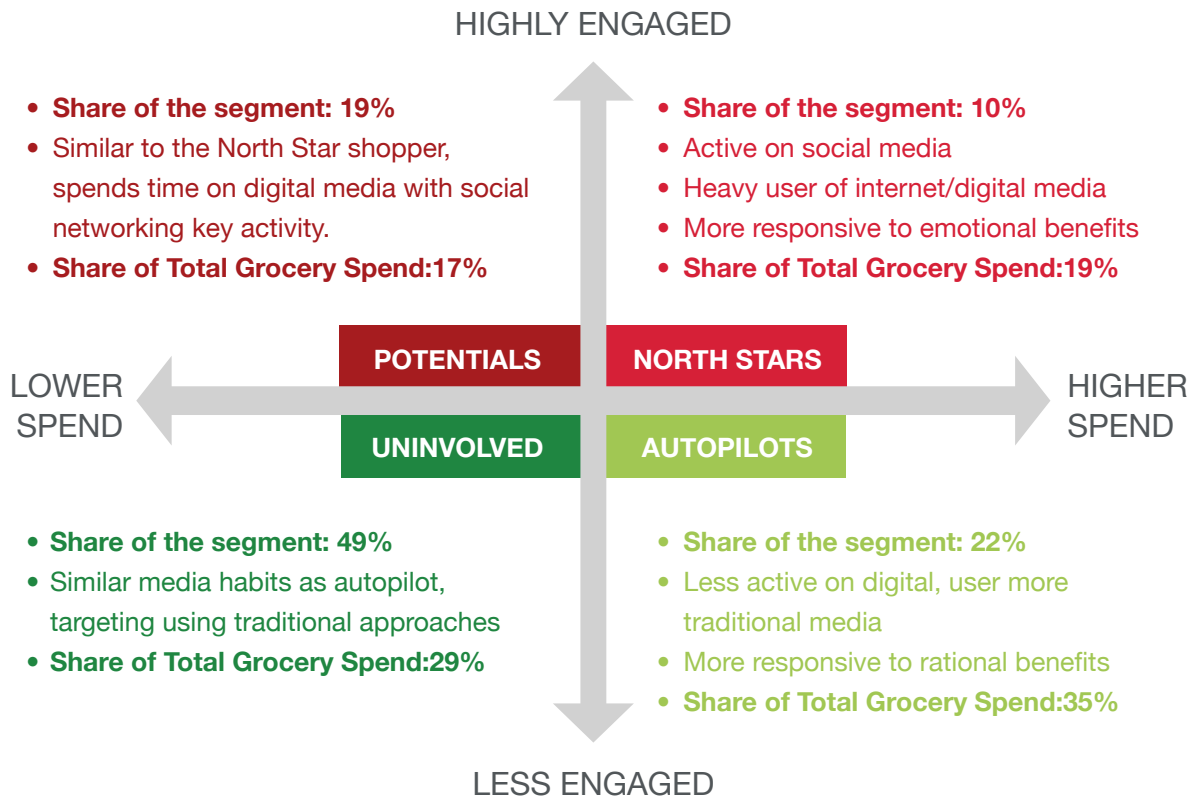
Predicting the future is always tricky, so we have triangulated using two distinct methods.

The first involved age cohorts. In categories with significant new technology and disruption, younger cohorts typically change first. For several key analyses we looked for patterns of change among age cohorts in order to anticipate the trajectory of key insights and implications.

The second method involved early adopters. We created a simple framework of high versus low engagement with digital connectivity and shopping and high versus low spending at grocery. Two of the four quadrants give us a view of early adopters and allow us to see how things might change. North Stars (high engagement, high spending) and Potentials (high engagement, moderate spending) are the best predictors of both early adopters and fast followers.



## CONNECTED CONSUMER FRAMEWORK BASED ON 4 SEGMENTS



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

We believe that this triangulation has helped us prioritize bets or areas of short and medium term investment required by retail industry participants.

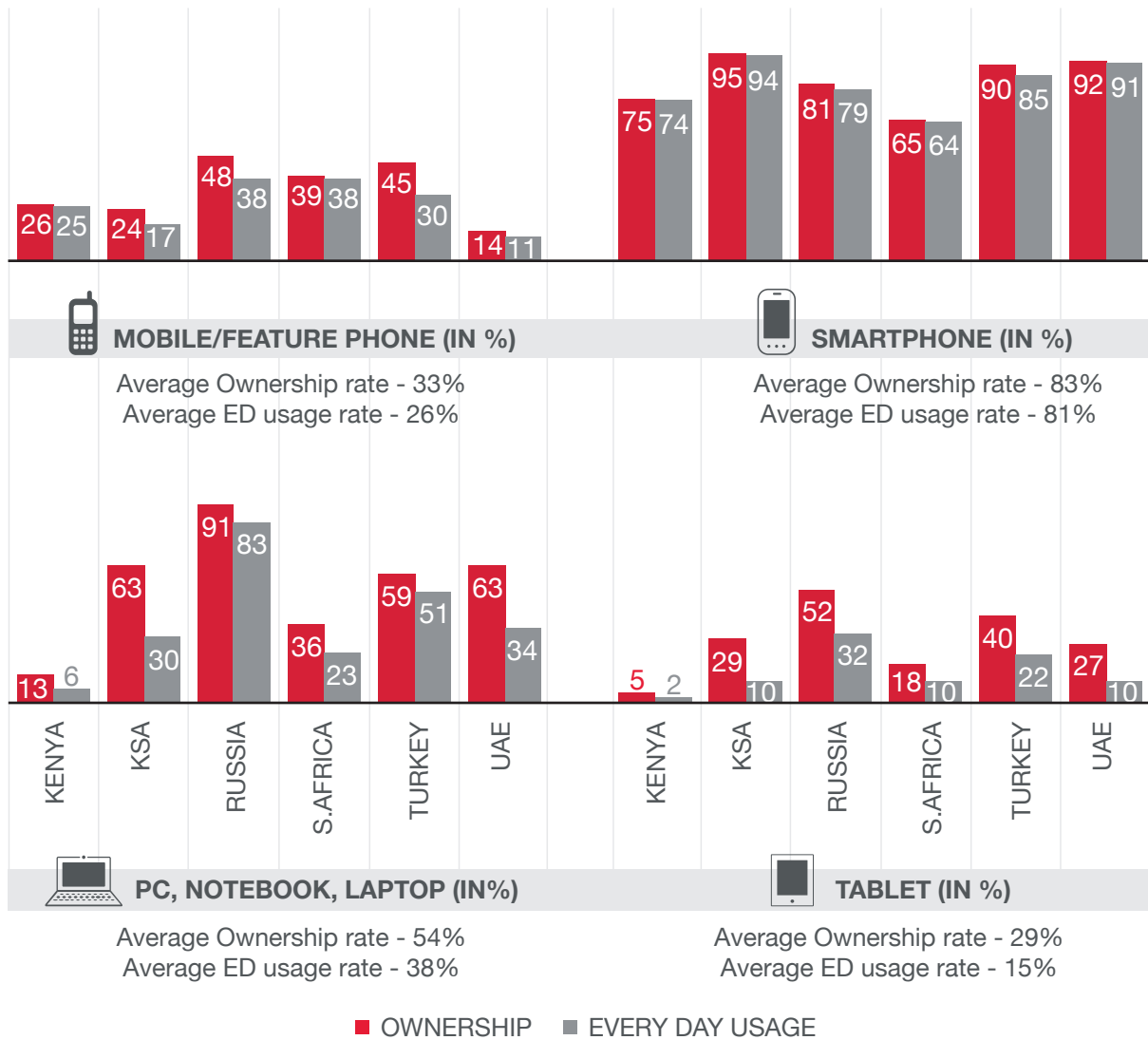
Earlier we referred to a deliberate bias in our quantitative data. In our surveys, we aimed to balance broad market representations with insights from consumers who are already heavily connected to the digital universe. Our approach had three potential areas of bias: data collection methodology, sample composition, and response rate. In more-connected markets, such as Turkey and Russia, we used online surveys. In other markets, we used a mix of face-to-face, phone, and central location recruiting. Our sample composition skewed urban—we reasoned that the global trend is toward urbanization and that most of the market opportunity lies there. Given that bias, our numbers are probably higher than in a true national sample including more-rural areas. Finally, our response rate likely has a small bias toward consumers who are more interested and are already connected. However, we believe that more-engaged consumers provide more-insightful answers.

At certain points we have calibrated our absolute numbers to match trusted secondary sources. The vast majority of our report focuses on leading consumers, which we believe are more powerful and valuable for retailers to use in predicting the future.



## CONSTANT CONNECTIVITY CANNOT BE DISRUPTED

Connected consumers in Eurasia and Africa are plentiful and growing fast. The data on urban smartphone shoppers as of January 2016 shows the correlation between the spread of multiple devices and the frequency of connectivity.



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Constant connectivity will become an expectation—the new normal. For retailers, ensuring connectivity may become a necessity. At its simplest, this means that Wi-Fi—and increasingly power—is not a nice-to-have but a must-have.

This is even truer when it comes to smartphones, which have become the best friends of Eurasian and African consumers. No other devices, including PCs, notebooks, and tablets, have comparable conversion rates from ownership to everyday use.



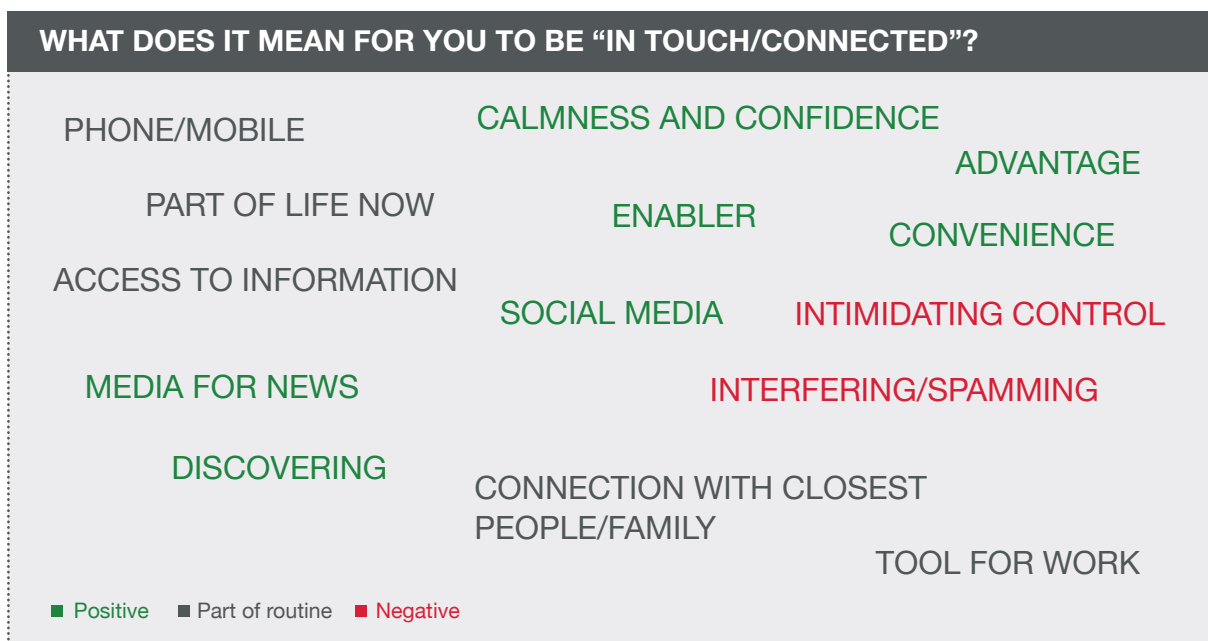
A world of constantly connected consumers has huge implications for retailers: Those who are first to offer free Wi-Fi will have greater appeal to connected consumers, while those who are late to the game will rapidly fall behind.

### CONSTANT CONNECTIVITY WILL BE MORE MULTI-LINGUAL AND VISUAL

Like many of us, consumers in Eurasia and Africa are connecting by texting or sharing pictures with very intimate communities like family and friends. To others, connecting is more about reaching new people and the larger world. Understanding the nature of connectivity is as important as understanding its magnitude.

To enable the evolution, retailers need to keep track of the changing expectations and “languages” of connectivity.

Connected consumers see themselves continually connected via their mobile phones. Focus groups in Eurasia and Africa say that being connected gives them new opportunities and advantages, greater convenience, and heightened involvement in all spheres of life—family, work, and leisure.



Source: Focus-Group discussions, Video Diaries – Q3 2015 (6 markets: Kenya, KSA, Russia, South Africa, Turkey, UAE)

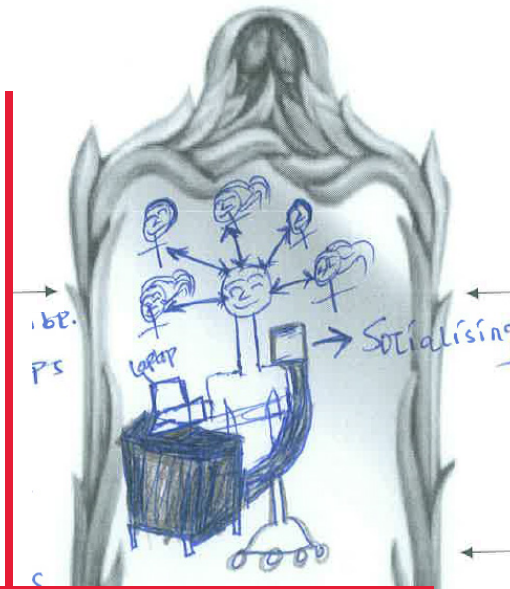
In our focus groups, we used a technique called psychological drawing, in which we asked consumers questions and had them first draw their responses and then explain them. This elicited insights consumers might not have been willing to voice or might not even have been aware of. For example, we asked a connected consumer in Kenya to imagine that his or her mobile phone became a person; what would it look like, say, and think? Here’s what the consumer drew.



## IMAGINE YOUR PHONE BECAME A PERSON...

### SAYING OUT LOUD

- Connectivity is fast
- Connectivity is reliable
- Connectivity is readily available as long as you subscribe
- Connectivity keeps me updated
- Connectivity is convenient
- Connectivity is knowledgeable
- Connectivity is adaptable and friendly



### PERSONALITY

- Hardworking
- Reliable
- Responsible
- Focused
- Visualized
- Honest
- Connected

### THINKING

- What to respond
- What to find out
- How to stay in touch
- How to network
- How to link up

### HOW ELSE IT CAN HELP

- It can help in Research i.e. Google search
- Can assist in Direction i.e. Google map
- Can assist in Sending mails instantly
- Can assist in Internet Banking
- Can assist in Job application & Submitting of forms i.e. K.R.A.

Source: Focus-Group discussions, Video Diaries – Q3 2015, Psychological drawings, North Star, Kenya

The personality comments are particularly noteworthy. The consumer projected traits including hardworking, honest, and reliable onto the mobile phone. This suggests that the more the consumer uses the phone, the more he or she too is hardworking, honest, and reliable. Connectivity isn't just about what you can do; it's about who you are.

As connectivity increases, its nature will change. Just as the Eskimos have more than 50 words for snow, the language of connectivity is expanding. Three trends are clear:

1. Younger consumers are talking—and even texting—less than in the past.
2. Communication will increasingly shift from text to visual and video.
3. A few key apps will draw most of the attention and emotional engagement.

### **Younger consumers are talking less.**

Voice calling will not go away any time soon. But the pattern is clear: The next generation of connected consumers are talking less by phone. They're switching to apps and other technology dependent means of communication.

## COMMUNICATION MEANS PER AGE GROUPS

	18-24	25-30	31-40	41-50	TOTAL
CALLING	30	33	37	41	35%
EMAILING	9	9	9	10	9%
SMS TEXTING	13	13	12	13	13%
SOCIAL NETWORKING APP	22	21	19	16	20%
MESSENGER APP	25	24	23	20	23%
<b>SOCIAL NETWORK + MESSENGER APPS</b>	<b>47</b>	<b>45</b>	<b>42</b>	<b>36</b>	<b>43%</b>

Source: Quantitative survey, Q1 2016

Sample: 2969 respondents (Kenya: 497; KSA: 503; Russia: 514; South Africa: 471; Turkey: 486; UAE: 498)

Talking will certainly remain relevant among family and close friends. And there will be instances when it is preferred—for instance, when the situation is urgent and real-time dialogue is more efficient. But in casual, transactional conversations with strangers, such as grocery store clerks, talking will increasingly lose appeal.

The slight declines in traditional SMS/texting in favor of social media and apps such WhatsApp most likely reflect a less-nuanced consumer rationale. Social media and WhatsApp are free, whereas SMS can cost money. Our hypothesis is that texting as a form of communication is here to stay, but the platforms on which it is conducted may be fluid. Grocers must monitor this and keep up.

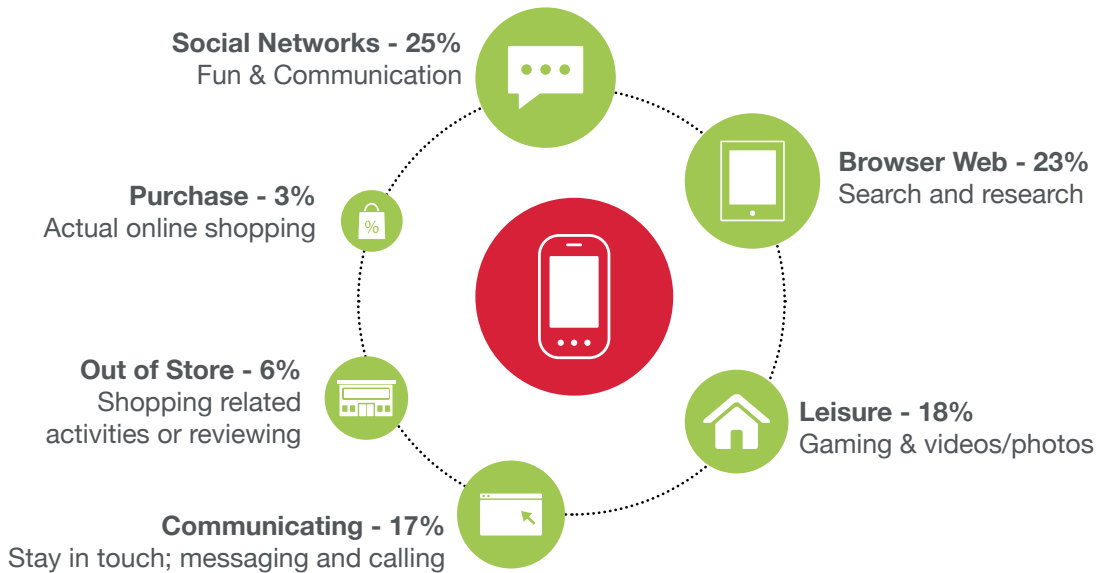
### **Mobile communication will increasingly shift from text to visual and video.**

Mobile is enabling consumers to increase the fun and reduce the chore of communicating. This is why communication will be more visual and video. Why call when you can send a photo that conveys the same message. It is more fun. Why risk an awkward call with a stranger if you can text them instead? It reduces the hassle of communicating. Grocers who try to rationally understand new communication forms like emojis and now Bitmojis will remain confused and miss out on the latest new language of connectivity. Grocers who understand that new forms of communication will be embraced simply because they are fun, will stay ahead of the curve.

Consumers use their mobile devices for many things

1. Connecting—the largest area
  - a. With friends and family, using multiple channels
  - b. With broader communities of friends and with strangers who have common interests

2. Consuming—the next-largest area
  - a. Taking, sharing, and viewing photos
  - b. Consuming and creating videos
3. Commerce—the smallest area, but one that is growing



Source: Quantitative survey, Q1 2016  
 Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

While the number vary by country, and certainly within countries, it is clear that across Eurasia & Africa, connected consumers practice multi-channel communication.

### COMMUNICATION MEANS PER COUNTRIES

	KENYA	KSA	RUSSIA	SOUTH AFRICA	TURKEY	UAE	TOTAL
CALLING	40	30	50	39	28	24	35%
EMAILING	8	9	7	9	13	10	9%
SMS TEXTING	17	9	10	16	16	9	13%
SOCIAL NETWORK APP	15	24	19	13	21	26	20%
MESSANGER APP	20	29	14	24	22	32	23%

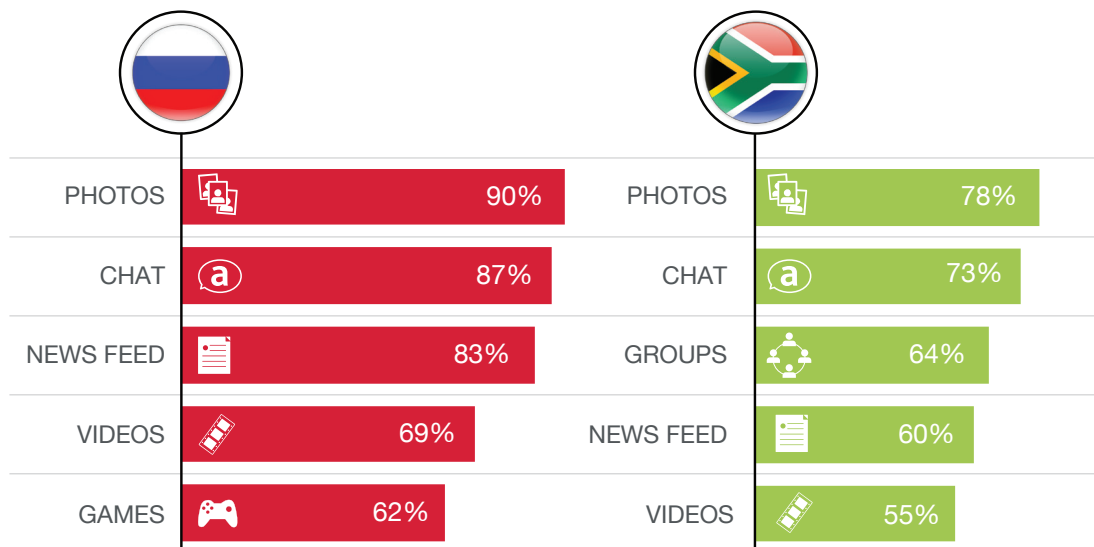
Source: Quantitative survey, Q1 2016  
 Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)





As we can see from the evidence, consumers in Eurasia & Africa are part of a global shift to a visual society, thanks to the merger of camera and phone. Experts estimate that consumers worldwide took and shared between one trillion and two trillion photos last year. That exceeds the number of film-based photos since the very first film photograph was taken, in 1826. Posting photos is the top activity on Facebook, and every minute 300 hours of video are loaded onto YouTube.

## TOP 5 ACTIVITIES ON SOCIAL WEB-SITES BY AUDIENCE REACH IN SOUTH AFRICA AND RUSSIA



Chat includes 1 to 1, group chatting and commenting on posts

Source: Online observations – Q3-Q4 2015

Most retailers have historically banned photographs in stores. One early implication of shopper connectivity is that retailers need to not only do away with the ban but work hard to encourage photo taking in their stores. More photos taken means more photos shared, and photos shared can generate traffic and earned media.

Consumers have been increasingly open to receiving new forms of mobile communications. Retailers should leverage this trend, as it is already playing out in different business contexts already.

## PEOPLE TOLD US THE STORIES ON HOW TREMENDOUSLY COMMUNICATION HAS CHANGED

### CAREER

“Even during my last interview, they asked me how good I was on WhatsApp and I told them No – they told me “Sorry” this job is for people who are good in WhatsApp. I felt offended, but then from that moment I started using WhatsApp.”

**Consumer from UAE**

### BUSINESS







“I chat (in WhatsApp) with suppliers on different prices, on how to purchase the yoghurt containers, and they send me photos”

**Consumer from Kenya**

Source: Focus-Group discussions, Video Diaries – Q3 2015 UAE, Kenya

Retailers must become proficient in many digital “languages.” That could mean transforming their in-store signs or adding new means of communication on various messaging platforms.

### FORMS OF MOBILE COMMUNICATION PER COUNTRY

	KENYA	KSA	RUSSIA	SOUTH AFRICA	TURKEY	UAE	TOTAL
							
SPOKEN LANGUAGE	92	84	84	72	76	83	82%
TAKING AND SENDING PICTURES	36	56	39	49	31	61	45%
FORMAL LANGUAGE (LIKE A LETTER)	70	32	35	58	27	44	44%
USING EMOJIS (EMOTION ICONS)	34	42	28	45	31	49	38%
SHORTHAND/ INTERNET SLANG (LOL)	40	15	17	51	24	38	31%
TAKING AND SENDING VIDEOS	26	41	17	32	12	43	29%
USING TEXT TO CREATE PICTURES :)	12	22	22	30	24	31	24%

Source: Quantitative survey, Q1 2016

Sample: 2969 respondents (Kenya: 497; KSA: 503; Russia: 514; South Africa: 471; Turkey: 486; UAE: 498)

The desire to communicate visually using feature phones and/or in a high-cost/low-connectivity environment led to emojis. Instagram engineering showcases the explosive growth of emojis and icons as an easy, intuitive, and emotionally powerful way of communicating. And the increasing ease of making and sharing high-quality, compelling videos has made it possible for anyone to do so.



## FORMS OF MOBILE COMMUNICATION PER AGE SPLIT

	18-24	25-30	31-40	41-50	TOTAL
TAKING AND SENDING PICTURES	47	48	46	38	45%
USING EMOJIS (EMOTION ICONS)	44	42	37	28	38%
SHORTHAND/INTERNET SLANG (LOL)	40	35	28	18	31%

Source: Quantitative survey, Q1 2016

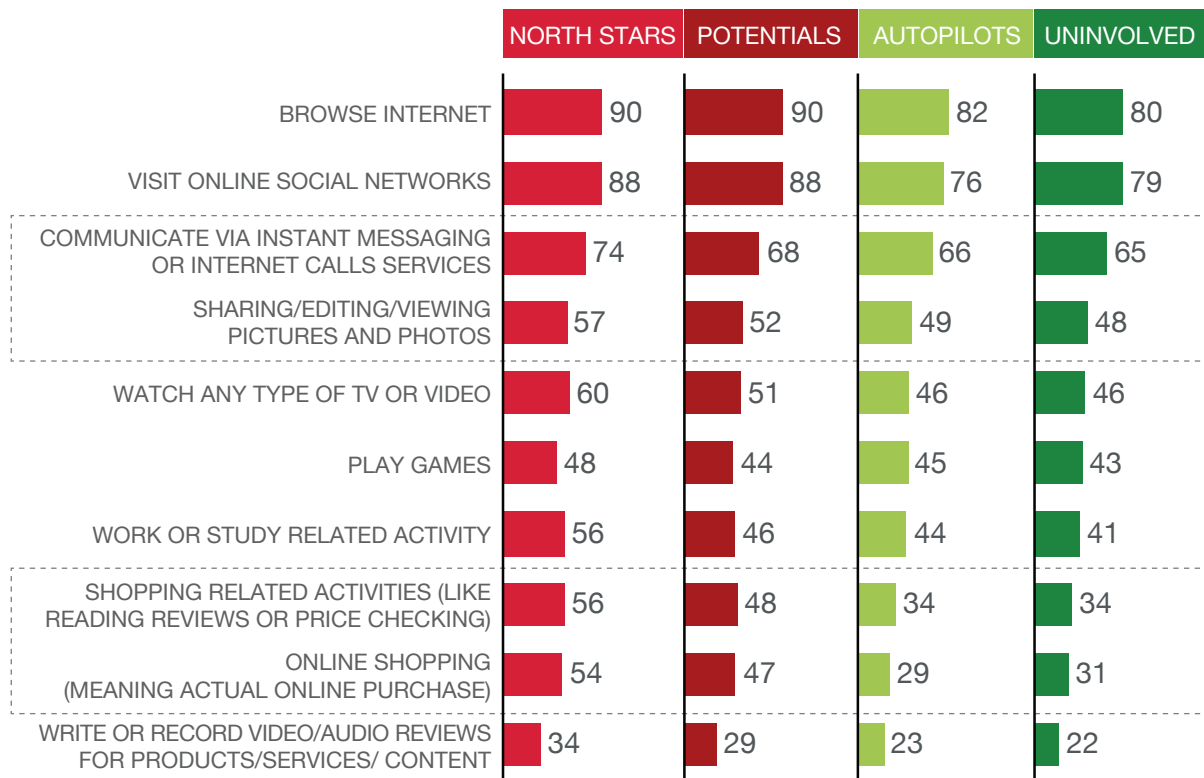
Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

As emojis become part of common culture, there are some early examples of brands in Eurasia & Africa incorporating them into marketing campaigns. Below is a 2016 marketing campaign from Coca-Cola in Nigeria.



Forward-thinking North Star and Potential shoppers\* (our early adopters) demonstrate higher and broader online activity evolution, especially in terms of new services and languages (more visual and video) and activities related to mobile commerce.

\* North Star and Potential shoppers are presented as part of the Connected Consumers Framework in the last part of the current report, on pages 66-70.



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Our qualitative research reveals that the shift to visual communication among consumers is not simply a matter of technology. Younger consumers, like the Potentials—grow up immersed in a world of digital communication where talking by phone or in person is less common, and therefore model different behaviours. Many Potentials and other younger shoppers told us that they have a dislike or even a fear of speaking to people; they prefer the safety of text or the screen.

*“For me it’s also Internet and calling, but I prefer being texted, cause I’m always very busy. It’s easier to text. If it’s something broader – than calling, yes. But, in general, WhatsApp, where you can just text.” Potential from Russia*

While the languages of connectivity will proliferate, at present, much of this activity seems to be concentrated in a small group of smartphone apps, like Facebook and Instagram. In part, this is because only a few apps have evoked the same emotional depth and power for connected consumers. Making use again of the psychological drawing technique, we asked consumers to imagine that their favorite activity on their phone (for example, a mobile application) came to life and to draw it.







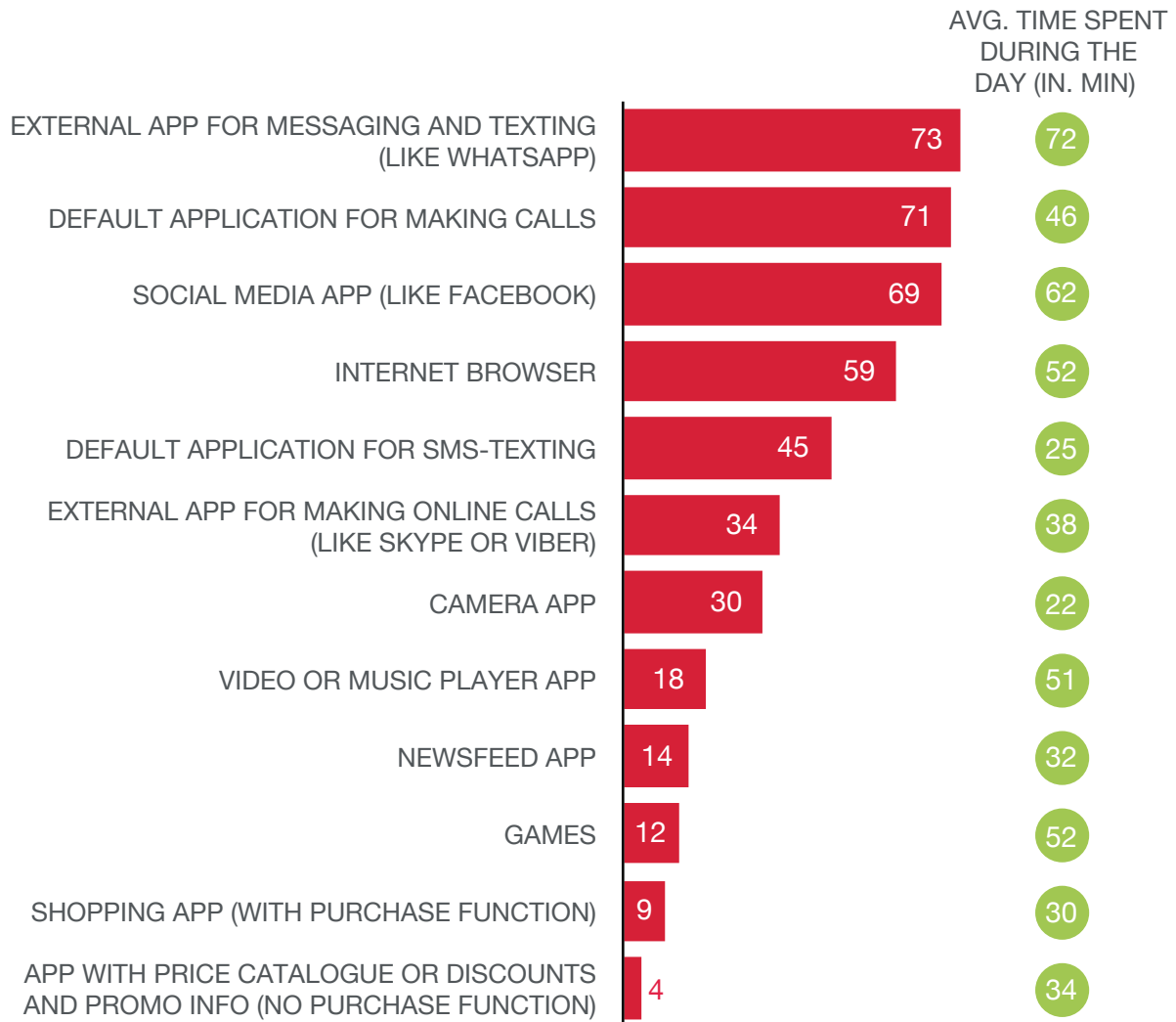
Source: Focus-Group discussions, Video Diaries – Q3 2015, Psychological drawings, Russia

The bigger and more detailed a personification, the more power it has. A drawing with clearly depicted arms and legs signifies capabilities. A drawing in multiple colors suggests that the app creates a myriad of emotions. The more detailed the background, the more pervasive the impact of the app on the consumer’s life.

Notice how powerful these apps are. The Yandex drawing from Russia includes an enlarged head and smile and an “extra hand” to help the person talk on the phone—an extremely confident man, thanks to the app. The Uber drawing shows a consumer with electricity flowing through his hair, signifying his ability to summon a car at will. WhatsApp depicts a friendly, colorful robot—a shopping machine that proactively finds deals. All this reveals an amazing amount of emotional depth in what are often free apps.

The power of key apps was further validated by our quantitative research.

## RATING OF MOST OFTEN USED SMARTPHONE APPS



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

### “WHATSAPP IS THE NEW SMS”

*“The closest thing is WhatsApp.” Consumer from UAE*

*“It is easier on WhatsApp. It takes shorter time to communicate what I want to say to others.” Consumer from KSA*

*“There is more typing now and less calling.” Consumer from South Africa*



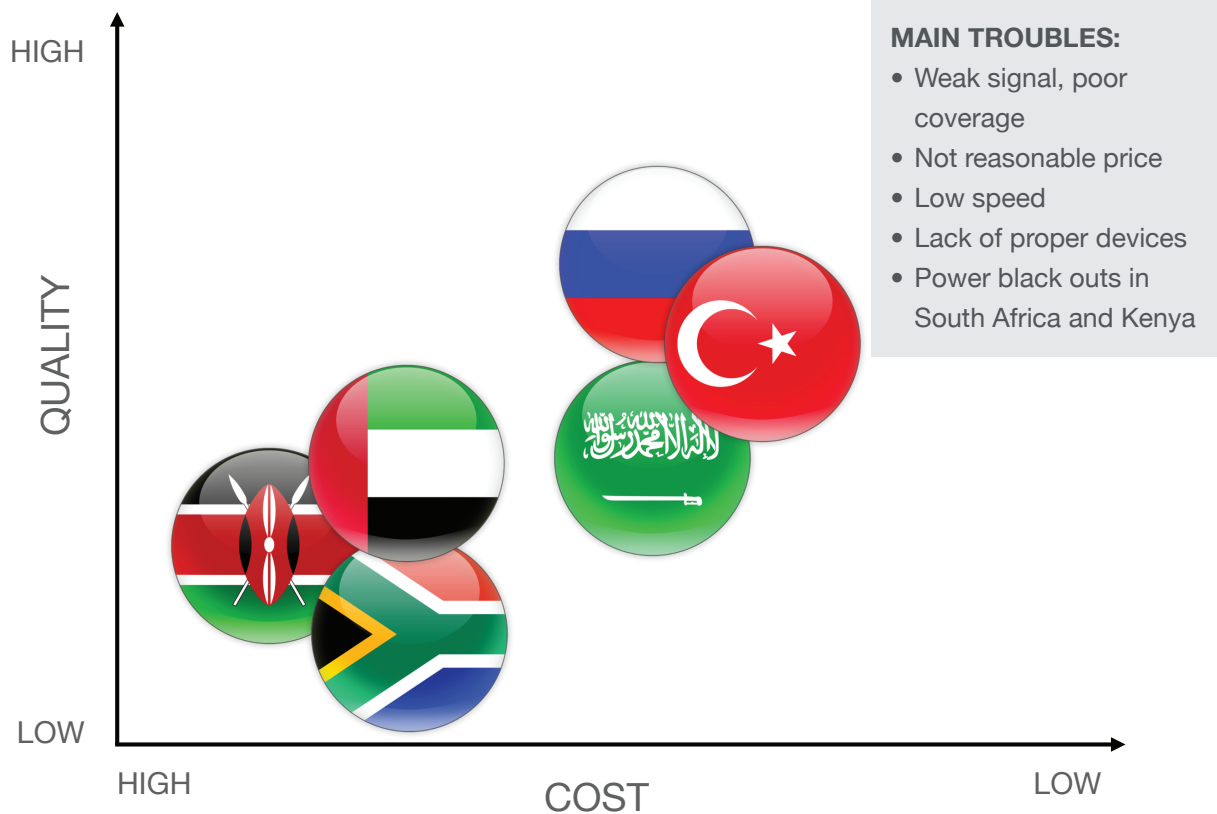
Source: Focus-Group discussions, Video Diaries – Q3 2015

The key here is for grocers to first embrace the apps connected consumers are already using the majority of the time. Later we will see that connected consumers are open to new apps, but since the lion's share of their time and attention is in just a few apps today, grocers must meet consumers there as well.

While we know the trajectory of change will be more visual and video, the actual pace of change is directly related to the cost and reliability of connectivity in a local market. In Eurasia and Africa constant connectivity is expensive and unreliable, meaning that the promises of the connected life are not universally available there.

## WITHIN THE REGION, CONNECTIVITY EXPERIENCE IS VARIED

### CONNECTIVITY SATISFACTION PER COUNTRY



Source: Focus-Group discussions, Video Diaries – Q3 2015 (6 markets: Kenya, KSA, Russia, South Africa, Turkey, UAE)

*“I am not satisfied about all the internet packages out there, because they are expensive and it has little data in them, people have lots of applications which need to be updated, so if I have 2 or 3 GB, they wouldn't be enough for me till the end of the month, so I wish the packages would have more data at a lower price...”*

#### **A UAE Consumer**

*“It is ridiculous, overseas it is just so quick, we have such slow internet here, and we are nowhere near where we should be.”*

#### **A Consumer from South Africa**

*“Connectivity is expensive. Long ago phones were expensive. Now they are cheap, we have Wi-Fi, and it is going to the interiors, to the houses and shops. It is still expensive to the local man, the Wi-Fi, the connection. Even devices are expensive, but getting cheaper.”*

#### **A Consumer from Kenya**

This presents a huge opportunity for retailers willing to provide an oasis of constant connectivity within their stores via free Wi-Fi.



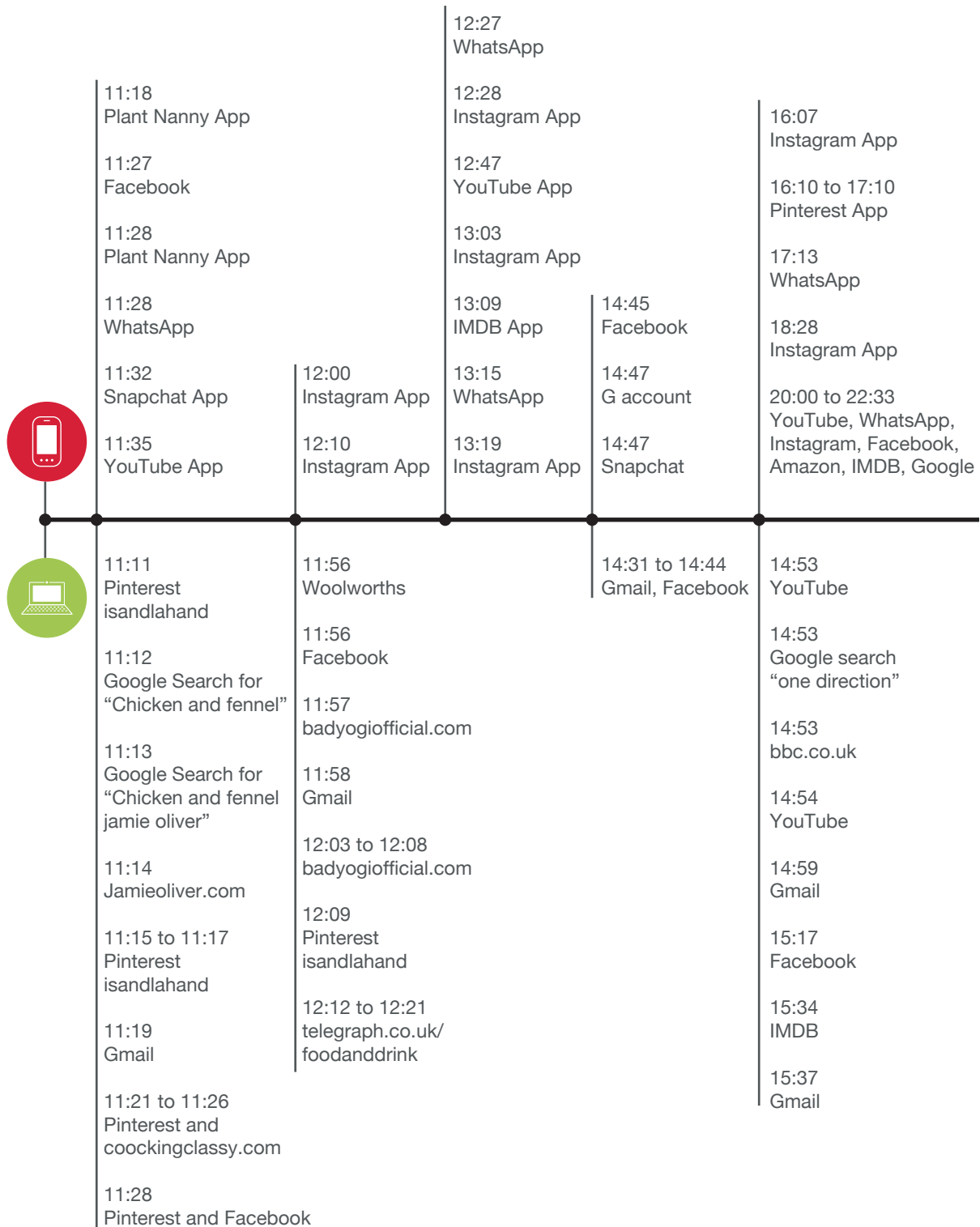


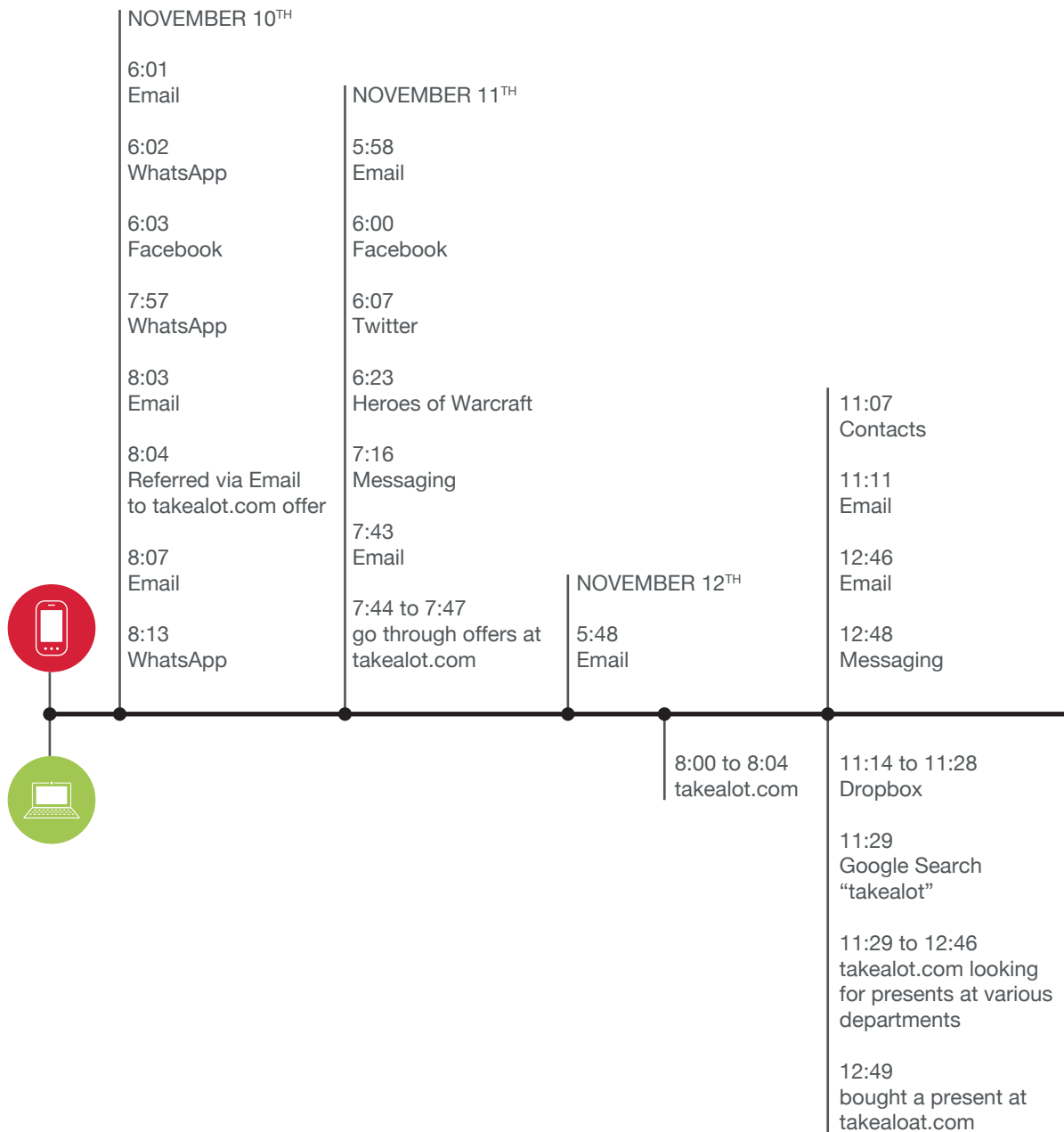
Finally, the new languages of connectivity are more conducive to communicating with the entire community, versus just one to one. This isn't just social media per se, but also the fact that texts and photos are far easier to share in groups than phone calls are.

In this context, when it comes to grocery shopping it is very clear that connected consumers never shop alone—they shop with family and friends. Retailers must be aware of this and facilitate “community shopping.” Those who do so may be able to create new communities based on affinity. Retailers can connect shoppers with others who have similar interests and help them leverage the “wisdom of the crowd” to shop better. Communities lead to higher spending and greater stickiness, which drive growth.

Communities are creating entirely new shopping experiences through connectivity. Search “unboxing” on YouTube, and you will find video upon video of consumers simply removing a product from its packaging. This taps the fun of shopping—even a regular purchase can be like a birthday present, opened excitedly so that you can see what is inside. Unboxing videos are post-purchase of course, but they serve as marketing for pre-purchase for prospective consumers. And connected communities can enhance the fun of shopping even when people don't buy a thing.

Community shopping is very evident in traditional e-commerce. Our online observation data from South Africa indicates that shoppers bounce back and forth from online communities like Pinterest, Youtube and other social communities.





Source: Online observations – Q3-Q4 2015, South Africa: 200+

Communities provide an extremely valuable resource in reviews. The ability to add and read a numeric rating and written comments on products is hugely helpful to shopping. Here is an example from the eCommerce retailer Cdiscount.

The screenshot shows a product page on Cdiscount for 'PAMPERS Baby Dry Taille 4, 7 à 18kg 174 couches'. The page features a search bar, navigation tabs, and a detailed review section. The average rating is 4.7/5 stars. A table breaks down the ratings by category:

Category	5 stars	4 stars	3 stars	2 stars	1 star
Rapport qualité/prix	188 avis	70 avis	6 avis	1 avis	1 avis
Qualité					
Fonctionnalités					
Sécurité					

Below the table, there is a 'Donnez votre avis !' button and a '266 avis pour ce produit' indicator. A specific review from user 'super' is shown with a 5/5 star rating and a comment: 'du Pampers comme d'habitude a ce prix la ca vaut le cout reçu en 24h je suis très satisfaite'. The review is dated 09 avril 2016.

Also important is the ability to both share reviews with other connected consumers. Overall, the ability to create more dialogue between connected consumers and with the retailers themselves creates stickiness and shopper loyalty. Here is an example of Pick N Pay thanking shoppers and inviting them to comment at the end of a promotion.

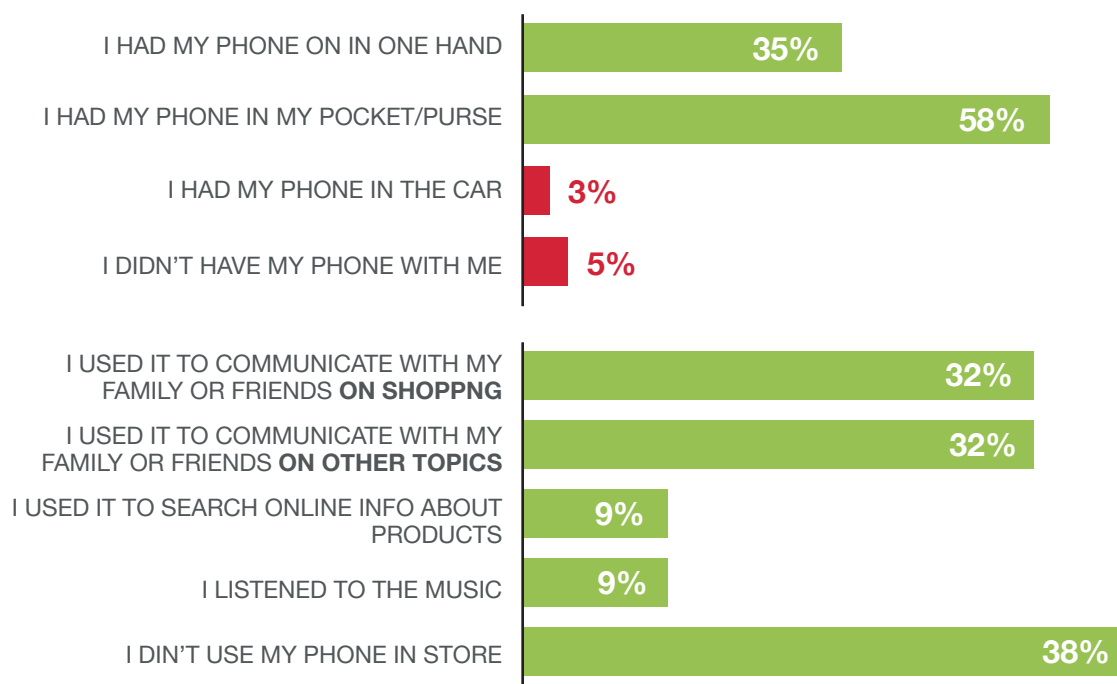
The screenshot shows a YouTube video titled 'Some stores will start running out by 11 September.' from the channel 'Pick n Pay Stikeez'. The video features a group of children in a grocery store aisle. The video player shows a progress bar at 0:07 / 0:15. Below the video, the channel name 'Pick n Pay Stikeez' is displayed with a 'Subscribe' button showing 4,538 subscribers and 58,546 views. The video has 38 likes and 7 dislikes. The description reads: 'Thank you SA for making Stikeez a huge success, but unfortunately it's time for them to go. Some stores will start running out from around 11 September. Enjoy them while stocks last.' The video is categorized as 'Howto & Style' and is licensed under 'Standard YouTube License'.



## CONSTANT CONNECTIVITY COULD INCREASE GROCERY BASKETS

Starting with the first feature phone, connected consumers were empowered to be connected shoppers. Smartphones and increased SMS and internet connectivity have made the trend even more powerful. Shopping with a phone in hand is increasingly common.

### SHOPPING WITH PHONE



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Connected consumers today almost always have the chance to call or text their communities (often close family or friends) to ask what they want for dinner or which brand is better or whether they are out of ingredients (e.g., sugar, etc).

*"I use it (phone) to ask my mom if she wants anything, I may send her a photo to know her opinion about the things I am buying."*

**Potential, UAE**

*"(In store) I can start texting with my wife, if I have any doubts, what's better to purchase. Or, for example, I saw there something, she might need, and sent her the photo. What should I buy: this one or the one?... Or I can call her and ask, what does she want for dinner?... And she does the same while shopping..."*

**North Star, Russia**

*“If I need to know what they want at home, they send me the list on WhatsApp.”*

**North Star, UAE**

*“If my wife needs something, she either calls me or sends me a message on WhatsApp or other applications, so the phone has to be in my pocket 24/7 except times like prayer times or when I am at a dinner with family or close friends, on these times I just throw the phone away because these times are essential times.”*

**North Star, UAE**

Source: Focus-Group discussions, Video Diaries – Q3 2015

Connected consumer communities present retailers with an opportunity to create a platform for shoppers to access information faster and easier in-store.

*“I want somebody immediately, I want to know more about this, immediately.”*

**A Consumer from South Africa**

*“I think digital communication is useful when in store. Otherwise, paper ones, pops and billboards are the ones that make you think of something you didn’t think of... Digital is mostly good when it is instant.”*

**A Northern Star, Turkey**

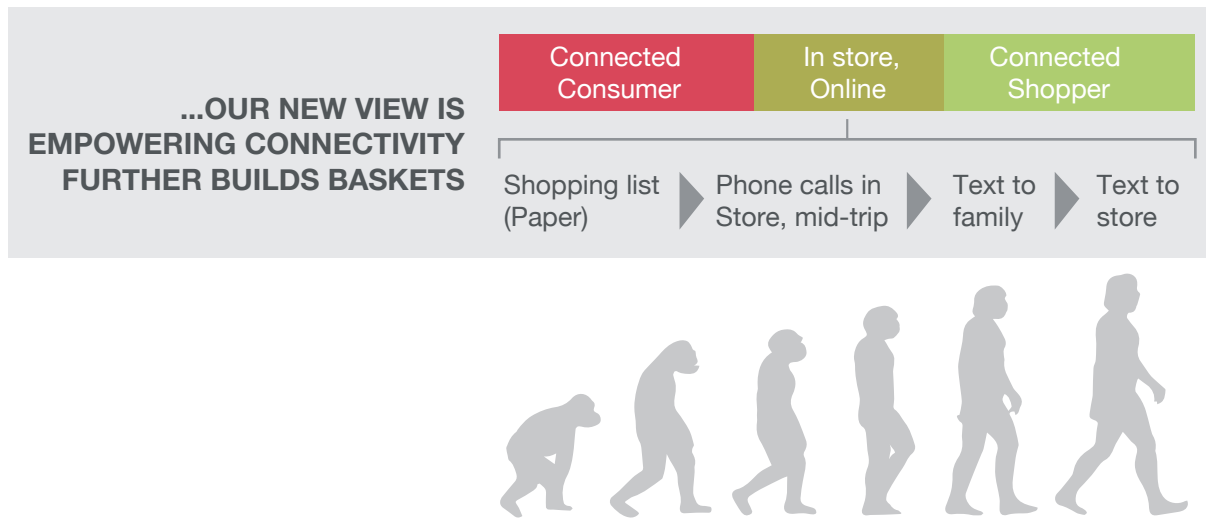
Retailers are already working on generating profits from new connectivity benefits. In Russia, the chain Azbuka Vkusa leverages apps for communication with connected shoppers, targeted at fun. It increased participation in its loyalty programs by 13% thanks to a consumer promotion that awarded points through a digital app. Digital participants’ spend was 25% greater than that of paper participants.



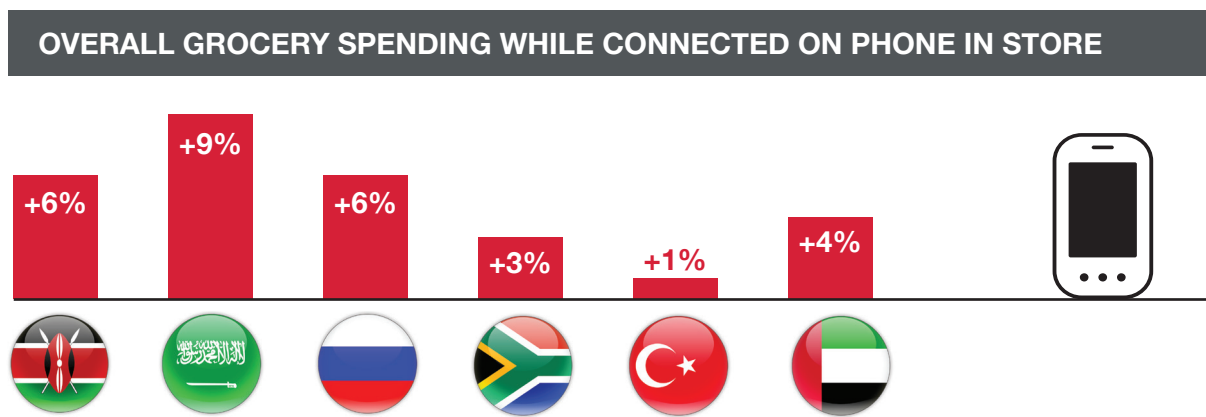
Consumers “connected” even in an analog, feature phone world. Since the advent of the mobile phone, people have routinely called their significant others to “pick up X while you’re at the store.”



The nature of connected shopping is changing rapidly. Shopping lists now come in the form of SMS messages. Requests to pick up an item now come as texts rather than phone calls. Someday people may text stores directly to add items to their spouses' baskets at checkout.



In fact, our data shows that consumers connected via mobile while in the store spend 1% to 9% more on groceries (among urban smartphone shoppers).



Source: Quantitative survey, Q1 2016  
 Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Most of these consumers are operating with a basic level of connectivity—talking or using SMS—rather than browsing on a smartphone. Consumers who are communicating with family and friends while shopping are often asked to add things to the basket. The family and friends can't see the cart, so it's unlikely that they are telling the shopper to remove items.

Therefore, enabling even basic levels of constant connectivity should grow baskets.

But this is just the beginning. It's also likely that consumers use connectivity to add joy and reduce the "chore" feeling as they shop. Here, too, retailers have an opportunity to build on the experience.





### MORE JOY

- Find the best price/deals
- Be delighted/entertained
- Connecting with my family/friends



### LESS CHORE

- Buy the right product
- Keep my children happy
- Stay in budget
- Check out quickly
- Get my questions answered
- Get the products home



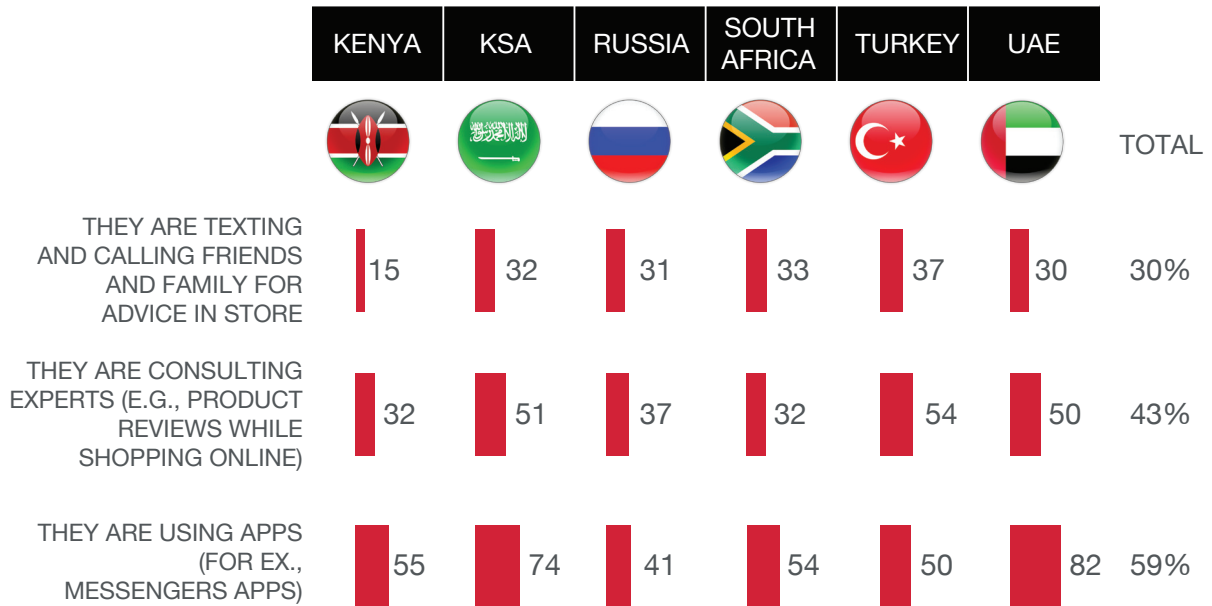
- **Chore reduction 2.0.** Imagine a connected consumer with no shopping cart walking down the aisle and talking on the phone with a retailer, saying, “I want this product” and scanning SKUs. She leaves in five or 10 minutes without having to pay at checkout or carry anything, because all her items will be put in her car or shipped to her home.
- **Fun addition 2.0.** Imagine a connected consumer with a connected shopping cart sampling new products, watching a video of a recipe and talking with a virtual personal shopper in a central location, and discovering a new dream vacation as her children listen to streaming personalized music.

Realizing these things may actually be easier than it seems. Retailers do not necessarily have to increase joy or reduce chore themselves. They just have to enable consumers to connect to their trusted friends and family, who will themselves increase the consumers’ joy or reduce chore. In other words, retailers don’t have to be the actors; they need to set the stage.

The first step is recognizing the ways in which connected consumers communicate with their communities (among urban smartphone shoppers).



## HOW SHOPPERS CONNECT?



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

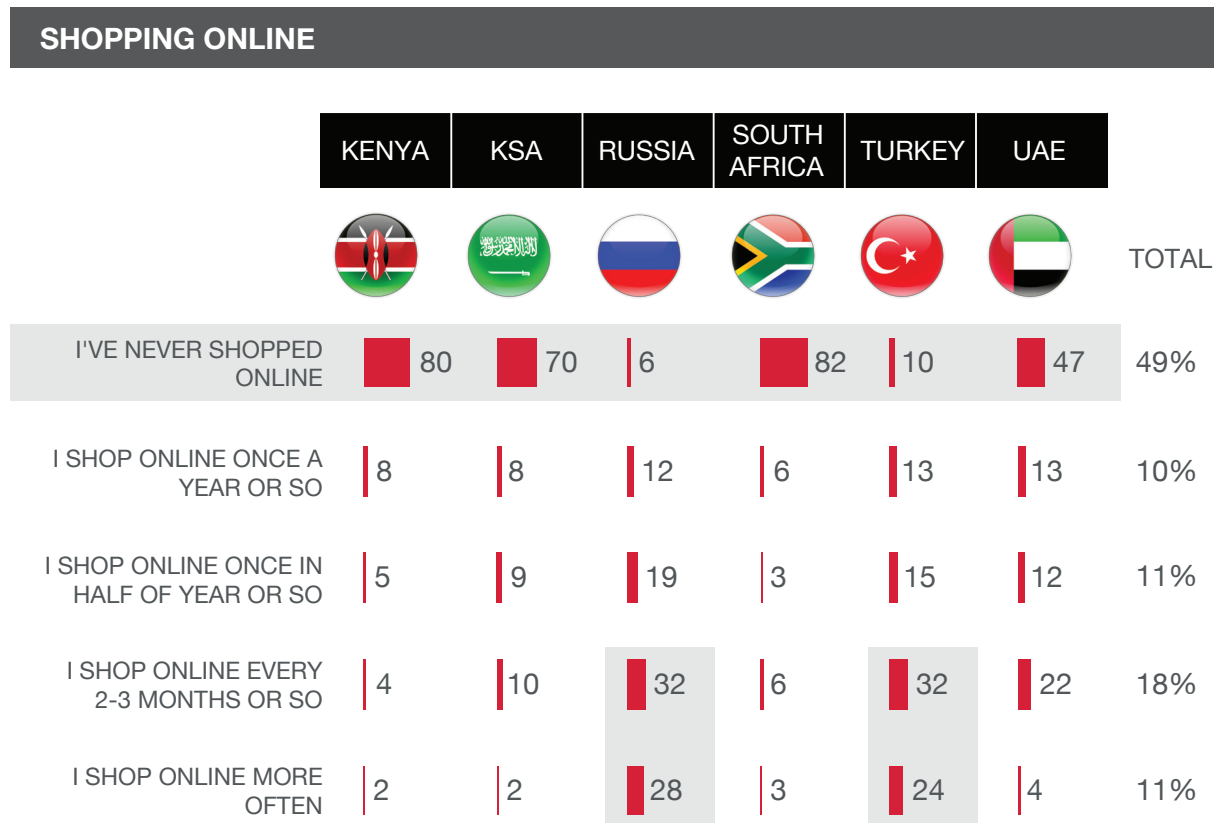
In order to engage Eurasia & Africa consumers in the ways that they want to negotiate, retailers would be well served to invest in Wi-Fi, preferably free, to enable these activities.

As connected behavior increases in the store, consumers may become willing to let retailers participate directly. If done in a way that adds value—by making the trip faster and more efficient and/or more enjoyable and fun—a retailer can be one of the relationships consumers use to improve their shopping experience. For example:

1. Texting/SMS will be the new “call center” for the connected consumer.
2. Retailers who create a group to receive and respond to texts—rapidly and as close to ‘real time’ as possible—will unlock great opportunities for customer loyalty and gain the ability to alert and align all levels of leadership to the voice of the consumer.
3. Participation could plug holes in a retailer’s leaky bucket if any items, trips, or consumers are at risk.
4. Retailers will build a foundation for a future relationship using much more powerful marketing before and after trips.
5. Retailers can recapture and recreate the communities of the neighborhood grocery store of the past. We see the power of communities’ online shopping through online reviews and “unboxing” videos. Shoppers are already accustomed to connecting through old technology, such as bulletin boards. Mobile can create modern versions. Imagine seeing a real-time group WhatsApp SMS about how sweet and fresh the fruit is today, drawing in shoppers who are paying attention.

We believe that e-commerce will continue to grow and may even be enhanced by connected consumer innovations on mobile—innovations that are likely to be complementary with PC-based e-commerce.

In Eurasia and Africa, the share of people who regularly shop online varies significantly across countries. Looking at Russia and Turkey, we see definite potential for e-commerce in the region (among urban smartphone shoppers). Our thesis is confirmed by connected segments of North Star and Potential consumers, who also demonstrate more active online shopping activity.



Source: Quantitative survey, Q1 2016  
 Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

We also see that shopping online is not only for young consumers. It is even more common among senior age groups, confirming that e-commerce has already seeped into the everyday lives of connected consumers.



## SHOPPING ONLINE

	18-24	25-30	31-40	41-50	TOTAL
I'VE NEVER SHOPPED ONLINE	50	53	48	44	49%
I SHOP ONLINE ONCE A YEAR OR SO	13	9	8	11	10%
I SHOP ONLINE ONCE IN HALF OF YEAR OR SO	11	12	9	11	11%
I SHOP ONLINE EVERY 2-3 MONTHS OR SO	16	16	20	19	18%
I SHOP ONLINE MORE OFTEN	8	9	13	14	11%

## SHOPPING ONLINE ON SMARTPHONE

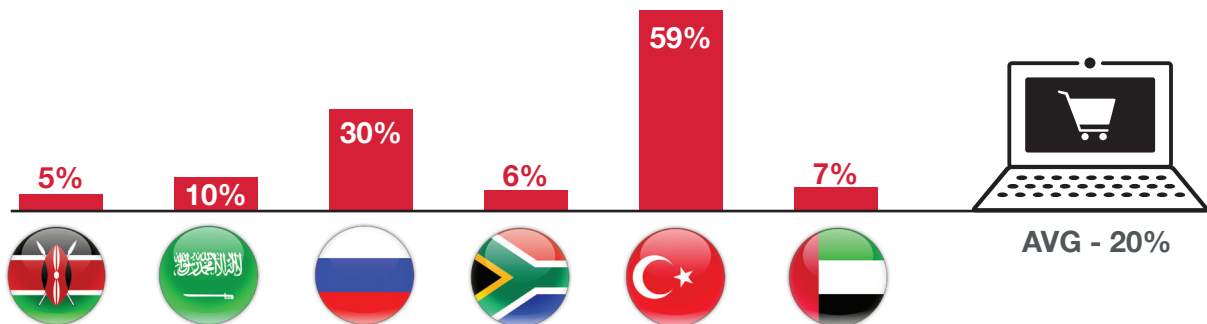
SHOPPING RELATED ACTIVITIES (LIKE READING REVIEWS OR PRICE CHECKING)	25	30	33	30	30%
ONLINE SHOPPING (MEANING ACTUAL ONLINE PURCHASE)	22	26	29	27	26%

Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Interestingly, e-commerce and mobile commerce rates do not increase dramatically in younger age cohorts, even among urban smartphone shoppers. Given the universal appeal of e-commerce across age segments, we expect the demand for this channel to grow at a rapid rate, albeit from a small base. The challenge, of course—which is beyond the scope of this report—is whether the infrastructure to support this demand can be developed over the coming years in Eurasia & Africa.

## EVER PURCHASED GROCERIES ONLINE



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

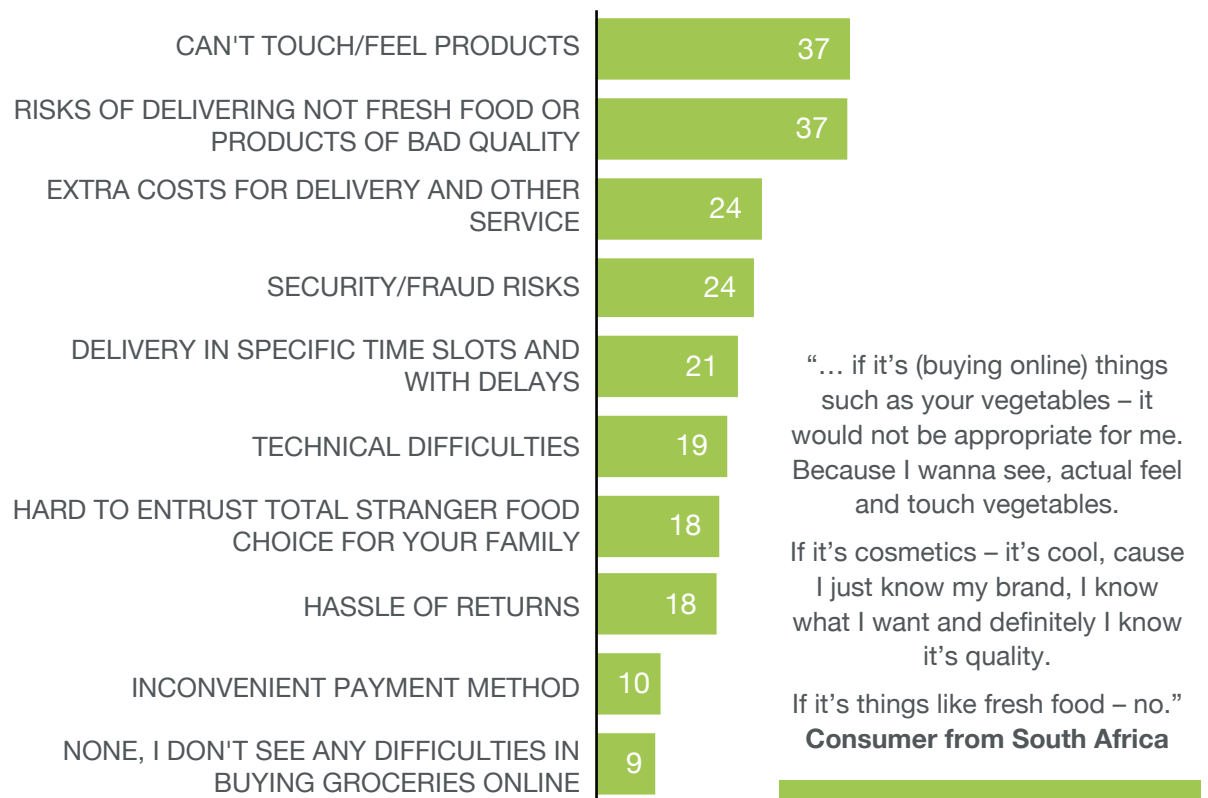
*“An opportunity when I can just do the shopping from the comfort and convenience of my house – this is a venture, that I’d really-really support.”*

**A consumer from Kenya**

At the core, consumers are seeking the optimal ratio of fun to chore whether in-store or online. Connectivity increases the expectation that this might happen, but the means of realizing it are beyond consumers’ imaginations. They depend on retailers delivering innovative platforms that surprise and delight, such as a retail app that showed product reviews and ratings as you walked down the aisle.

The usual “chore” issues around trust are barriers to online grocery shopping.

**BARRIERS FOR ONLINE GROCERY SHOPPING**



Source: Quantitative survey, Q1 2016  
Sample: 3022 respondents  
(Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

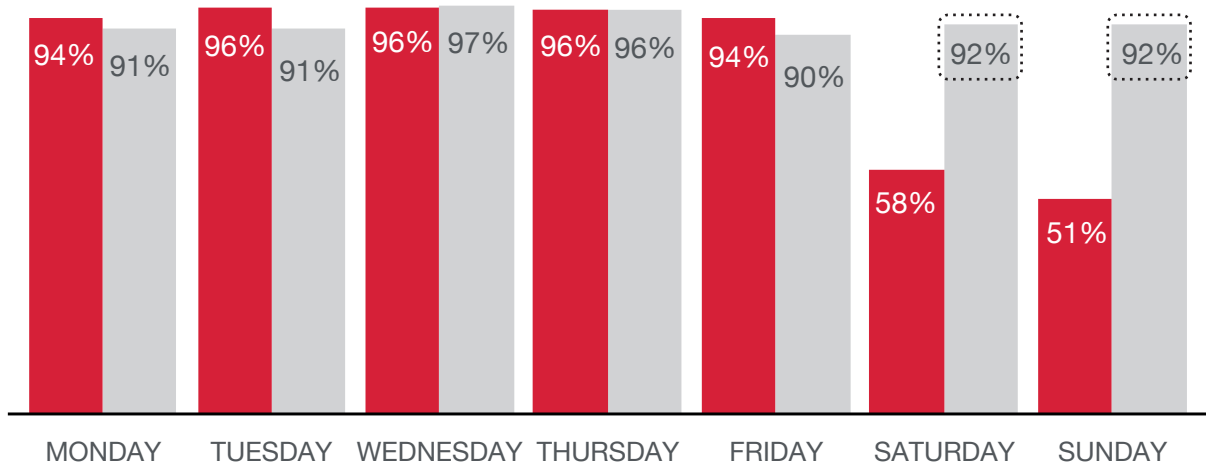
Source: Video Diary, South Africa, Q3 2015

We believe that many of the mobile opportunities we posit for in-store connectivity, including an SMS/WhatsApp call center and VIP solutions, delivery, and checkout, are highly relevant to classic e-commerce as well. The future of e-commerce may require heavy use of both mobile and PC complementing each other.



This is especially true on the weekends. Most PC access during the workweek is likely through workplace computers, whereas mobile devices dominate on weekends. A retailer who enables a connected consumer to access them by PC and mobile on the weekend will be strongly aligned with how consumers behave today.

### WEEKLY ONLINE ACTIVE AUDIENCE, %



SHARE OF AUDIENCE THAT GO ONLINE VIA:

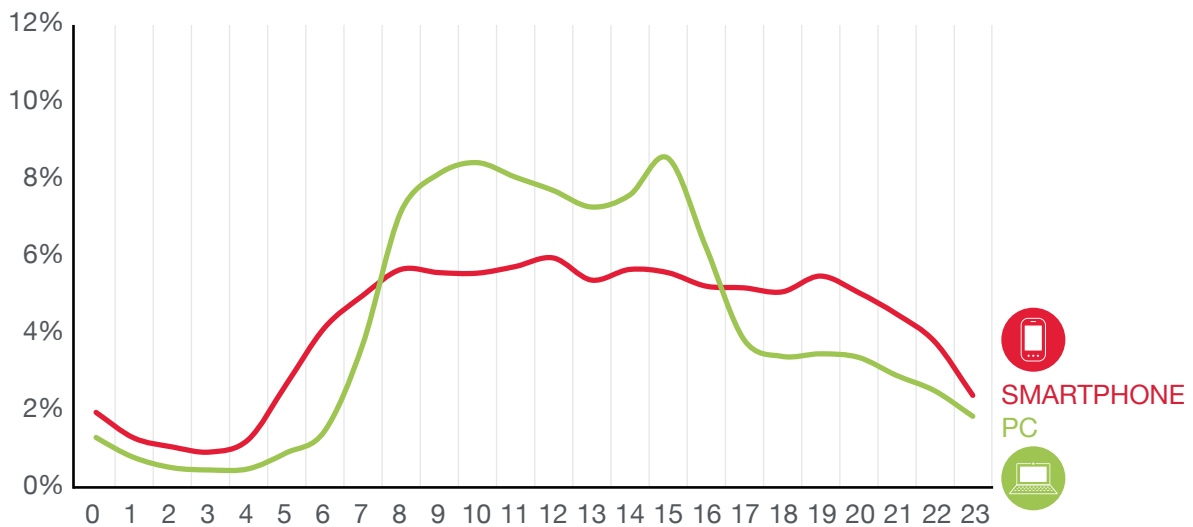
■ PC (N=198) ■ SMARTPHONE (N=91) ■ SIGNIFICANCE AT 90% LEVEL

Source: Online observations – Q3-Q4 2015, South Africa

A similar pattern prevails during the workday, with PC connectivity spiking during typical work hours and mobile dominating in the early morning and the evening.

### SHARE OF VISITATION SESSIONS THROUGHOUT THE DAY

MONTHLY AVERAGE



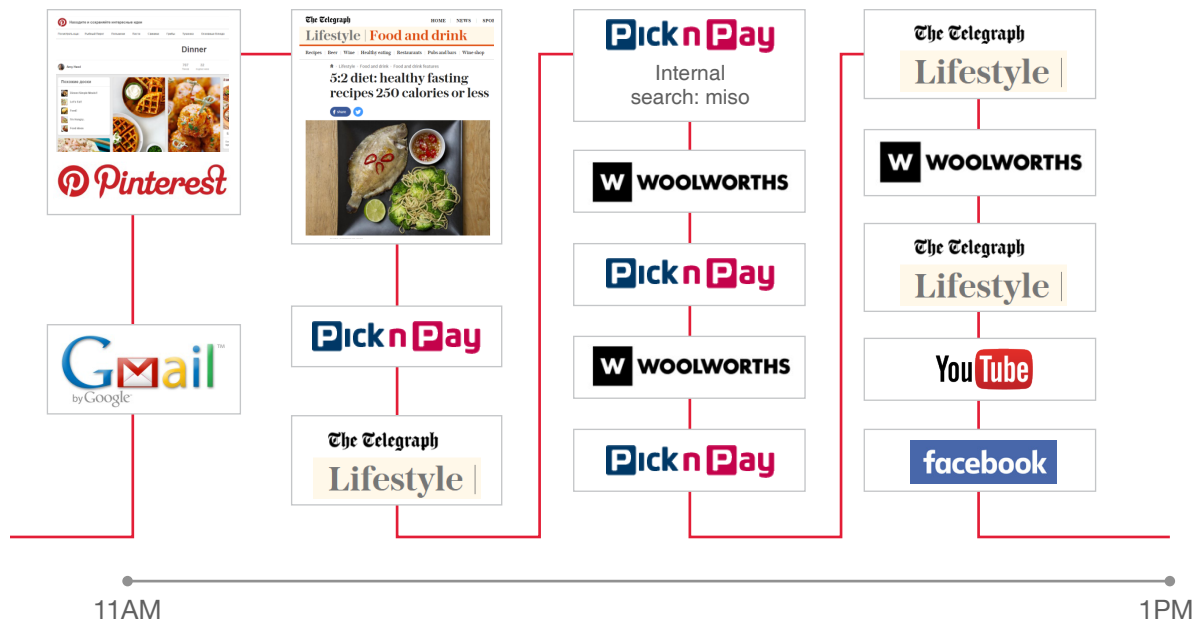
Source: Online observations – Q3-Q4 2015, South Africa, PC n=198, Smartphone n=91





It could be that more people are shopping while at work than actually working! And as the knowledge worker economy continues to grow in Eurasia & Africa, we can expect e-commerce to grow, with more connected workers and thus more connected shoppers.

Our online observations provide valuable information about how the connected shopper uses PCs to search and make purchases. The online shopping process of search, shopping, and purchase could be simplified if texting call centers were available.

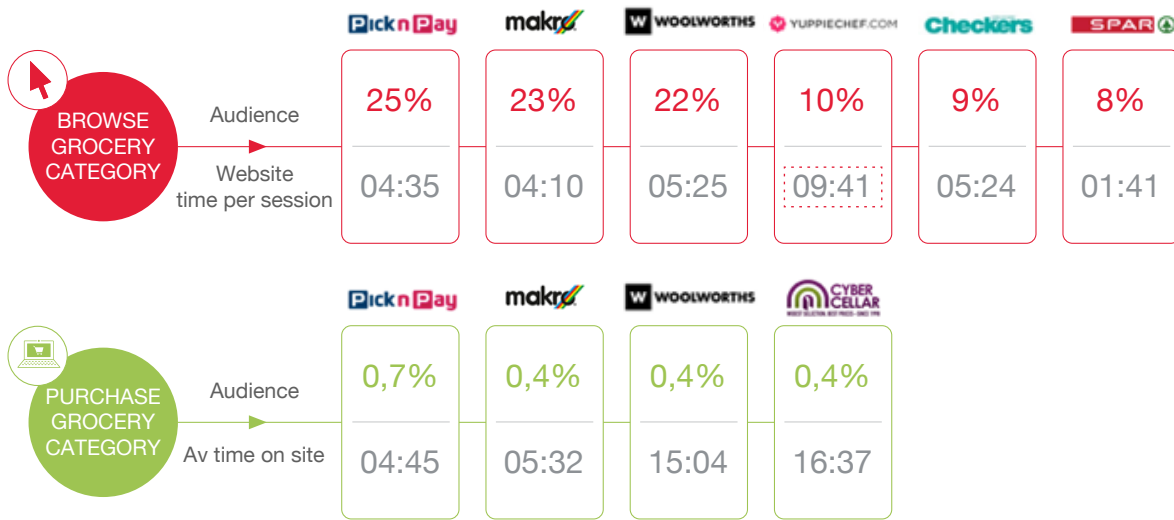


Source: Online observations, South Africa, Q3-Q4 2015, Example of individual journey

Despite the barriers, the data shows that e-commerce encourages a deeper relationship with the shopper. We can see from this example that consumers spend more time shopping through e-commerce than looking at websites for promotions, recipes, and general information.

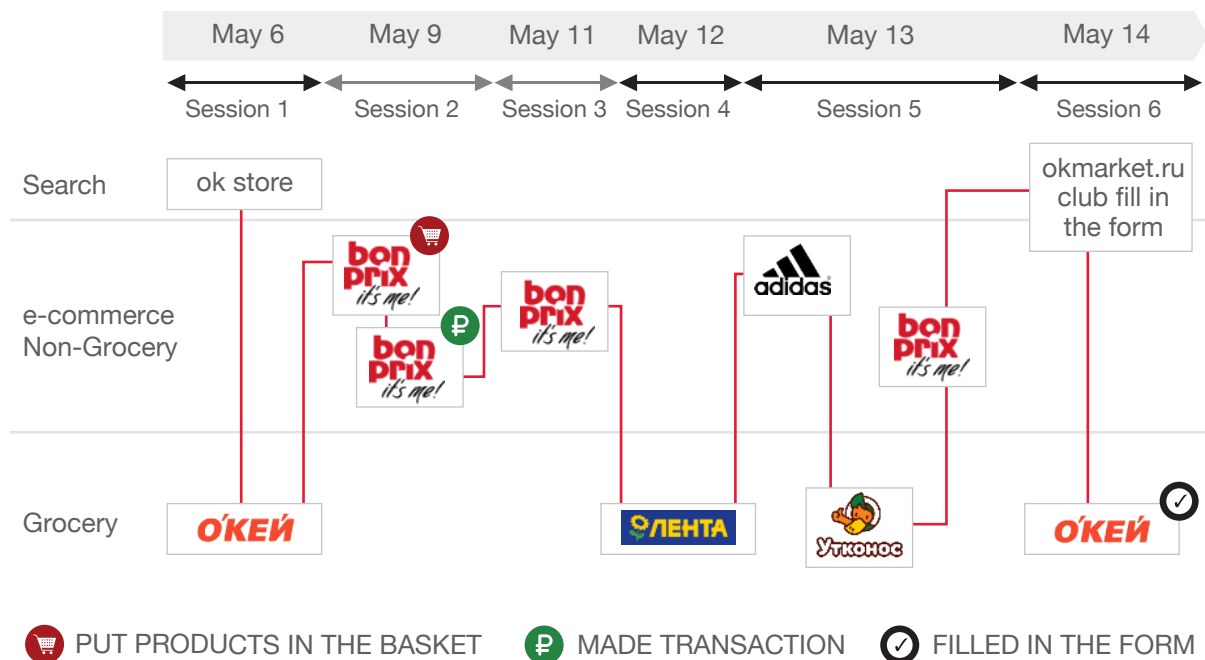
At the same time, Eurasia & Africa retailers need to balance the focus of their websites. While eCommerce is becoming more important, shoppers still spend a considerable amount of time on retailers' sites when they are not engaged e-commerce.

**ON AVERAGE SHOPPERS SPEND 4 MIN ON GROCERY WEB-SITES WHEN THEY BROWSE AND ABOUT 10 MIN WHEN THEY BUY ONLINE**



Source: Online observations, South Africa, North Star & Potential, Q3-Q4 2015  
 Base: n=289, Only web-sites with 20+ visitors are shown

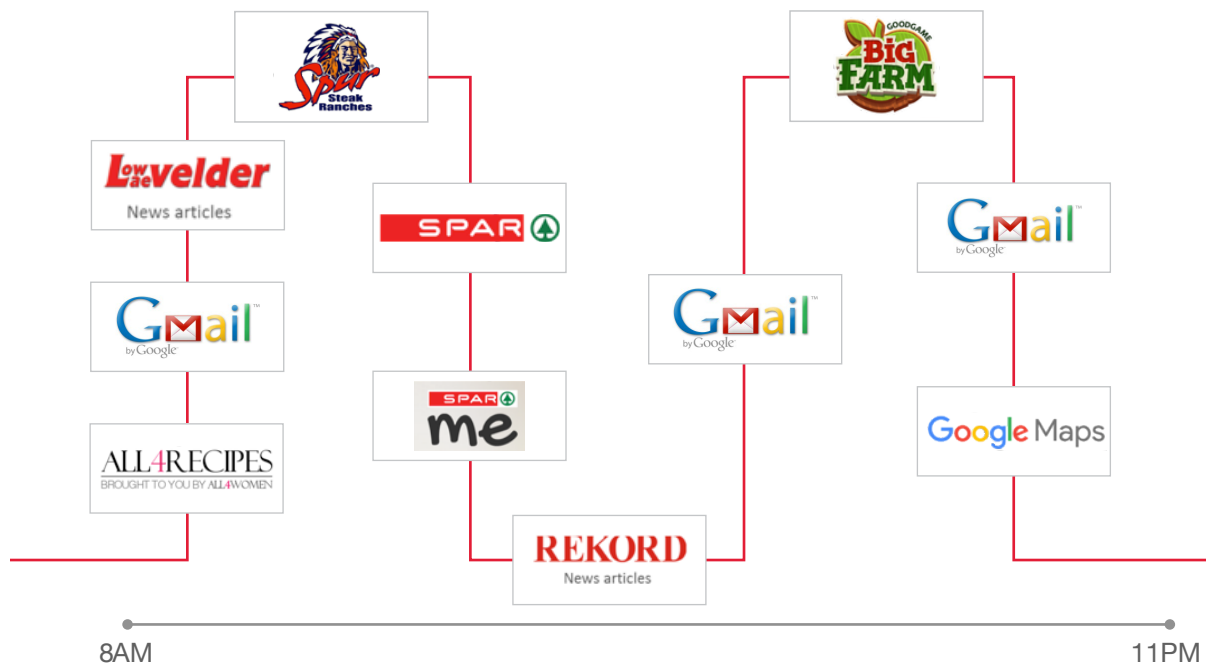
The use of retailer websites for both information and eCommerce becomes clear when examining more examples. Looking to the Russia example, we can see a shopper moving from search, to hypermarket, to online specialist, to a clothing site and back again. The online world allows for consumers to instantly become shoppers or leave a shopping trip to find information. A retailer’s online presence will ideally cover both of these areas in a connected world. We also believe that a growing number of retailers will facilitate communities as another reason to engage with their digital presence.



Source: Online observations, Russia, Example of individual journey - North Star, Q3-Q4 2015



The connected shopper easily moves from inspiration to a possible shopping moment. In the example from South Africa, reading and browsing recipes leads to browsing possible purchasing options in a Spar supermarket.



Source: Online observations, Example of individual journey - South Africa, Potential, Q3-Q4 2015

While the current path to purchase for e-commerce may not necessarily be straightforward. The explosion of mobile connectivity also means that the same rules increasingly apply in brick and mortar retail stores.

## ONLINE SHOPPING SESSION

BEFORE SHOPPING		DURING SHOPPING		AFTER SHOPPING	
1. Yandex resources	18%	Yandex resources	77%	Vkontakte	65%
2. Vkontakte	16%	Yandex Search	69%	Yandex resources	64%
3. YouTube	14%	Vkontakte	65%	Mail.Ru	61%
4. Yandex Search	10%	Mail.Ru	58%	Yandex Search	56%
5. Google Search	9%	Google Search	36%	Google Search	27%
6. Odnoklassniki.ru	9%	Alipay	33%	Odnoklassniki.ru	21%
7. Google resources	8%	Odnoklassniki.ru	29%	YouTube	17%
8. Mail.Ru	8%	YouTube	25%	Google Gmail	16%
9. Sberbank	8%	Avito.ru	21%	Facebook	13%
10. Google Gmail	7%	Google Gmail	20%	LiveJournal	9%



Search engines



Email



Social media resources

Source: Online observations, Russia, North Star & Potential, Q3-Q4 2015  
Base: Non-Grocery category purchasers n=77

Top 10 sites over shopping sessions (By % reach is session) Purchase Journeys

We anticipate that connectivity innovations in-store will grow trust among connected consumers, increasing their willingness to engage in classic e-commerce as well. Some retailers are already experiencing this success.

Migros, in Turkey—one of the country’s biggest and most frequently visited grocery retailers, which already provides online shopping services—has developed an innovative mobile app to drive incremental sales. Thanks to innovative loyalty programs and a money club, the chain has realized revenue growth of 14% and EBITDA growth of 13% in 2014 (compared with 2013).

Online retailers increasingly use innovations in product assortment, pricing, and payment to make it easier for the connected shopper to shop online.

Ozon.ru, in Russia—the country’s biggest online store—saw 40% growth over six months in 2015 versus six months in 2014, owing to investments in expanded assortments, a mobile app, and digital and offline media. Orders through the mobile app grew up by 10% in under a year, reaching 25% in 2015. Personal recommendations drove 27% of sales.



Mobile will be the way grocers in Eurasia and Africa leapfrog. Grocers may find they need to “hire” celebrity connected consumers. With just one viral video, an ordinary connected consumer can become a star online. A great photo or video can give even people engaged in the most basic activities celebrity status. Consider “PewDiePie” (ordinary name: Felix Kjellberg), a Swedish YouTube star who got more than 10 billion views on his YouTube channel and earned \$12 million in 2015 simply by recording videos of himself playing video games and commenting on them.

Equally, retailers in Eurasia & Africa may capitalize on the growing desire to be a “connected celebrity” among younger age cohorts. This is why measuring, managing, and innovating in communities is so important.

Eurasia and Africa have just started to scratch the surface of video. Our mobile phones have come a long way in the past decade. We have more power in our pockets than the computer in the NASA’s Orion spaceship, launched in December 2014 in preparation for a mission to Mars.

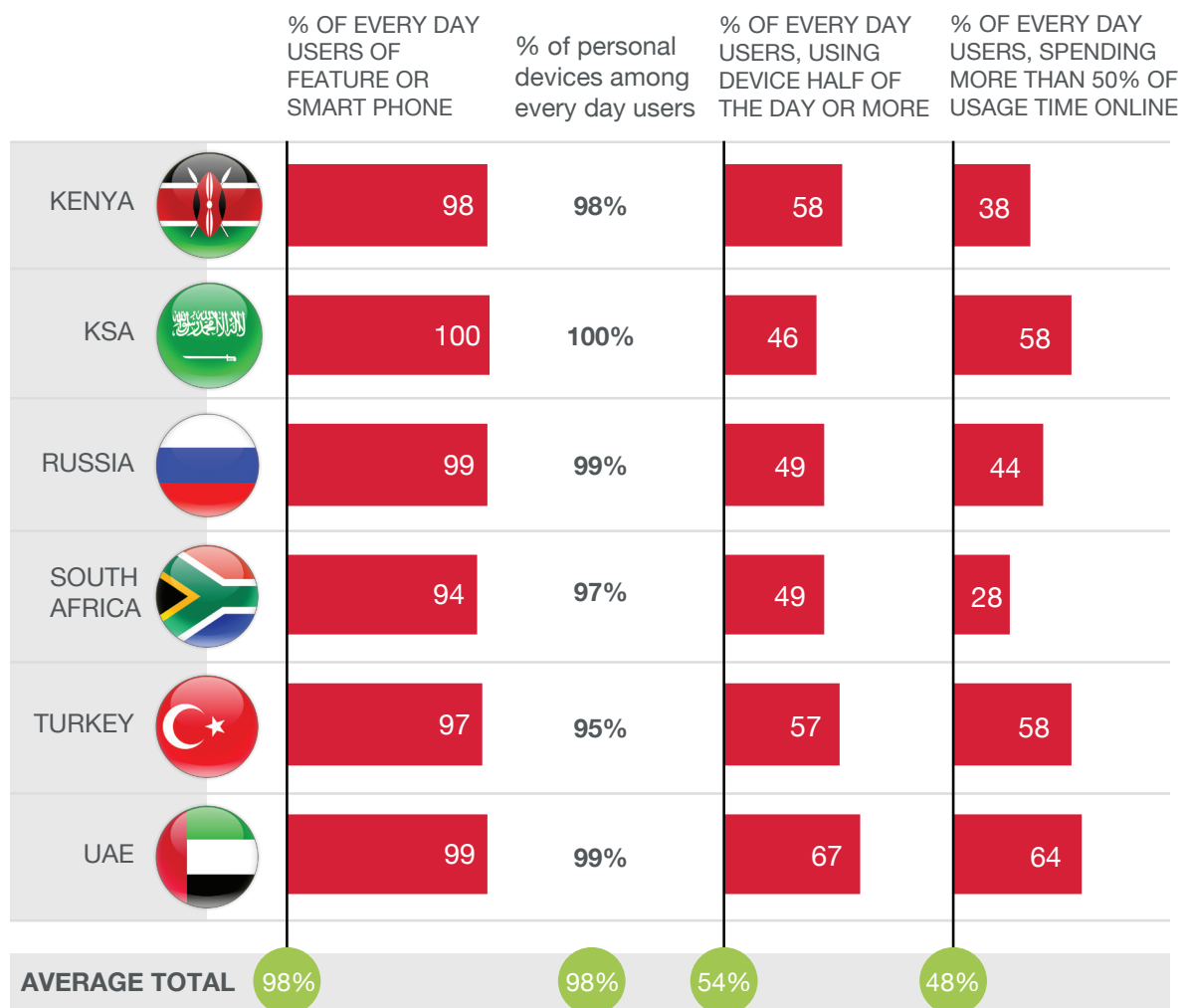
Even more important, mobile phone pricing has become more accessible. Android phones have decreased the average price of a smartphone (the global average was \$297 in 2014, and it is expected to drop to \$241 by 2018), which in turn has decreased the price of feature phones (the global average was \$135 in 2014, and it is expected to drop to \$102 by 2018).

“... We definitely see a move toward investment in better phones, so moving from a feature phone to a smartphone, smartphones are becoming far more affordable. ... So as a continent I think our biggest trend is moving toward smartphones and then increased consumption of data.”

**A digital expert in South Africa**

The combination of vastly greater power and much lower prices has enabled a giant leap forward in connectivity. Mobile broadband (penetration has increased tenfold since 2007) and mobile cellular subscriptions (from 50% to 90% penetration) have grown much faster than other forms of connectivity.

**STATISTICS ON FEATURE PHONE PLUS SMARTPHONE COVERAGE**



Source: Quantitative survey, Q1 2016  
 Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)





We see continued dramatic growth in mobile in Eurasia and Africa. In Kenya alone, net additions to mobile subscriptions tripled in just a year, taking mobile penetration to more than 80%.

All of this will explode video and other mobile innovations. This mobile phenomenon has enabled dozens of countries to leapfrog several categories, including traditional digital categories such as desktop and laptop computers and also non-digital categories such as banking, credit, and other financial services. For example, 70% of Kenya's adult population uses M-Pesa (mobile payment), which executes five times as many transactions as credit and debit cards combined. The Bank of Uganda reports that the number of mobile money platforms increased 52% to 14 million—nearly twice the number of people with bank accounts. Mobile has enabled tens of millions of connected consumers to bypass the poor infrastructure of the traditional retail banking system and go straight to the future of “fin-tech.” The firm Orange plans to bring its Francophone Africa mobile payment model to France in the next few years. If retailers do not meet connected shoppers' needs, others will.

In Kenya, retailers are actively promoting M-Pesa (mobile payment) as a mode of payment to reduce the cash transactions within their outlets.

What makes Eurasia and Africa special is this leapfrogging from the past to the far future and the paradox of powerful technology amid the paucity of the current infrastructure. Although mobile phones are growing rapidly, broadband rates will take time to catch up.

Mobile functions in almost every arena, touching the way we work, how we manage our finances, how we shop, and how we interact with our friends and family.

*“The mobile phone offers everything.”*

*“I can finish anything related to my work on it (mobile phone).”*

### **A consumer in Saudi Arabia**

*“I think it is like a gateway to information. I check everything on my phone before making a decision almost. I check prices, locations, it is like my guide now.”*

### **A consumer in Turkey**

Source: Focus-Group discussions, Video Diaries – Q3 2015

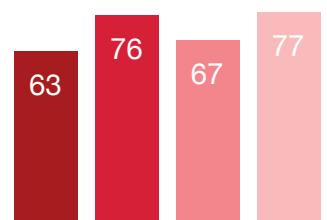
*“Definitely, your phone right now is the number 1 tool for you. You access everything around you. You want to order food, you order through your phone, you want to make your payments, you do it through your phone, your fines, through your phone, your friends, through your phone, to check up on someone who died, through your phone. If you know what I'm saying. All the news on your phone. The applications... the smart applications that they're coming up with; the diet, the sports obligation... It's a huge world.”*

### **A Digital Expert in the UAE**

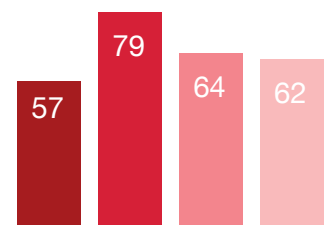
Source: Expert interviews – Q2 2015

## ONLINE ACTIVITIES SPREAD VIA DEVICES IN EURASIA & AFRICA

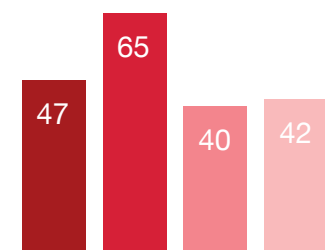
BROWSE INTERNET - 83%



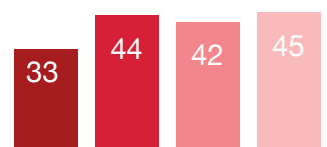
VISIT ONLINE SOCIAL NETWORKS - 81%



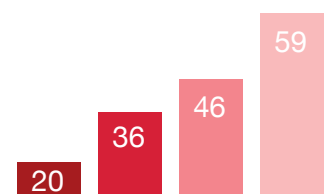
COMMUNICATE VIA INSTANT MESSAGING OR INTERNET CALLS SERVICES - 67%



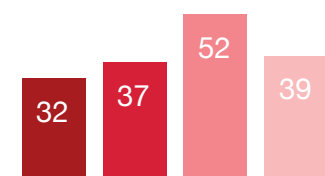
SHARING/EDITING/VIEWING PICTURES AND PHOTOS - 50%



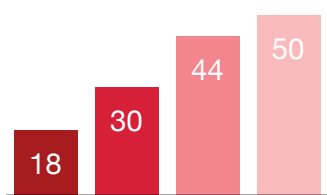
WATCH ANY TYPE OF TV OR VIDEO - 48%



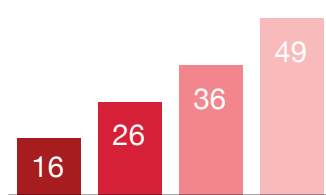
PLAY GAMES - 44%



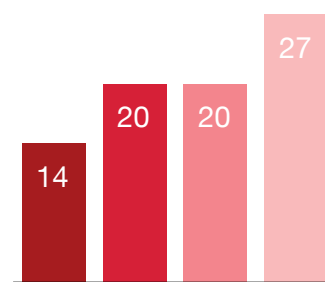
SHOPPING RELATED ACTIVITIES (LIKE READING REVIEWS OR PRICE CHECKING) - 39%



ONLINE SHOPPING (MEANING ACTUAL ONLINE PURCHASE) - 36%



WRITE OR RECORD VIDEO/AUDIO REVIEWS FOR PRODUCTS/SERVICES/CONTENT - 25%



■ FEATURE PHONE ■ SMARTPHONE ■ TABLET ■ PC, NOTEBOOK, LAPTOP

Source: Quantitative survey, Q1 2016

Sample: 2860 respondents (Feature phone: 567; Smartphone: 2392; Tablet: 428; PC, Notebook, Laptop: 1122)

Nakumatt in Kenya has created a campaign, to become a part of the trend around sharing photos and drive engagement with the connected shopper.





Given the specter of disruptive technology, it is easy to be anxious about the future. As ubiquitous as the mobile phone has become, the question is: What is next? Tablets? Wearable technology? Something we can't imagine?

We believe that every new platform has fallen short of the perfect blend of power, portability, picture size, and price point found in the mobile phone. And many retailers still have huge gaps with respect to how mobile phones impact retail marketing (store choice and traffic), in-store experience, and nonstore commerce (omni-channel). Retailers that invest smartly around the mobile phone should be amply rewarded without an entirely new disruptive platform arriving before 2020.

## THREE BIG IMPLICATIONS TO CONSIDER

### MEET CONSUMERS WHERE THEY ARE AT: JOIN CONNECTED CONSUMERS' MOBILE BEHAVIOR—DON'T TRY TO CHANGE IT.

Our observations of active online users in South Africa confirm that time spent on mobile is greater than time spent on PC. The majority of that time is not devoted to shopping or grocery apps but to a few core activities largely around connecting, especially connecting with others (for example, using Messenger and social media). Consuming entertainment comes second, followed finally by shopping.



U n d e r s t a n d t h e

# ARCH

# IDE



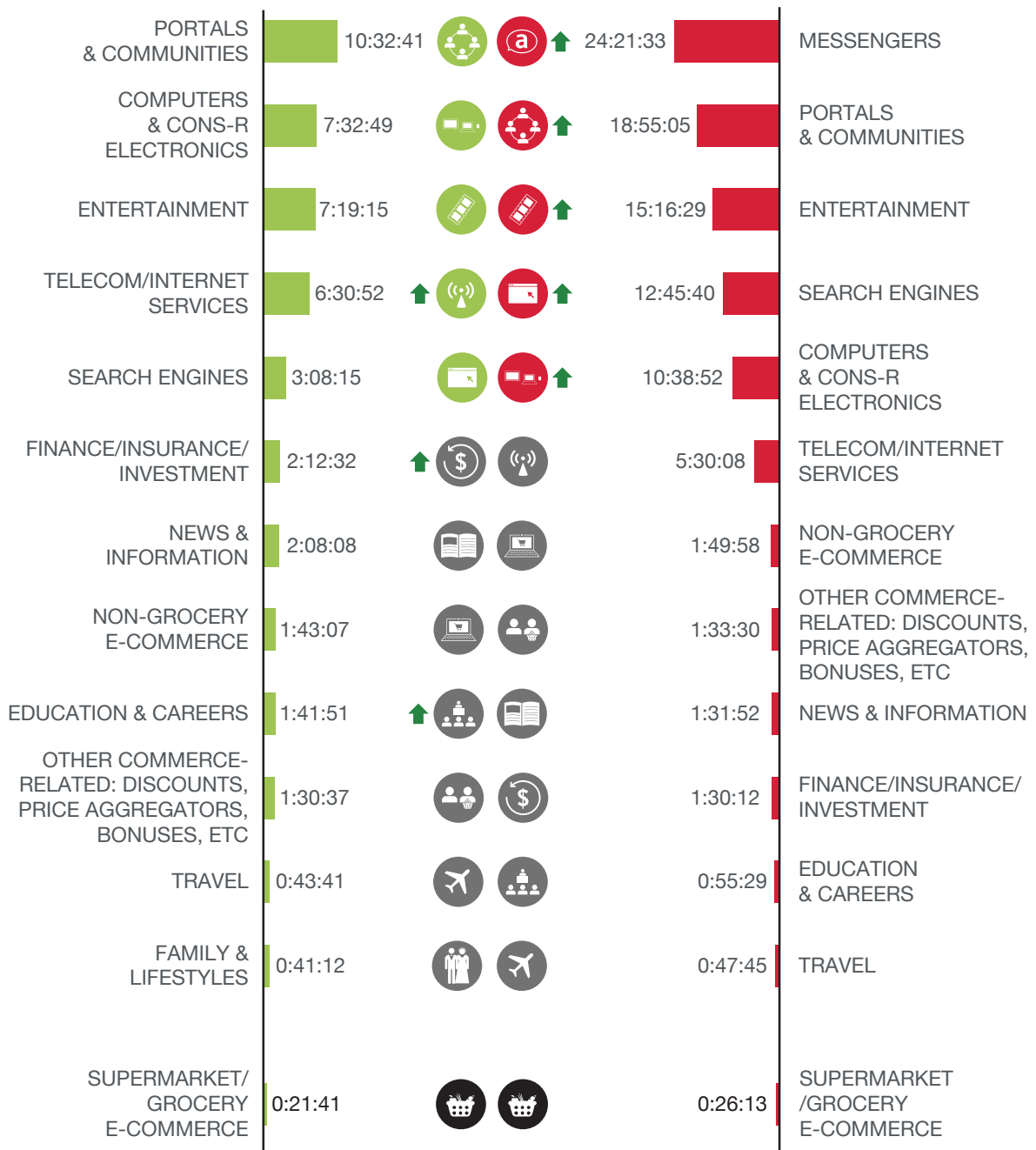
B r a i n s t o r m i n g

# NING



## MONTHLY TIME SPENT ON PC

## MONTHLY TIME SPENT ON MOBILE



Source: Online observations, South Africa, North Star & Potential, Q3-Q4 2015

Every retailer must decide whether to build and push its own mobile and app experiences or join in what consumers are already doing. We believe that it's necessary to build your own mobile platform and app on some minimum level but that—with the exception of some niches, such as e-payments—it is at least as important that you join in where consumers are already participating. That requires minimal consumer behavior change.

The key is to do so in a way that enhances the in-store experience and also builds basket.



## CREATING FUN AND REDUCING CHORES IS AN EVERGREEN OPPORTUNITY.

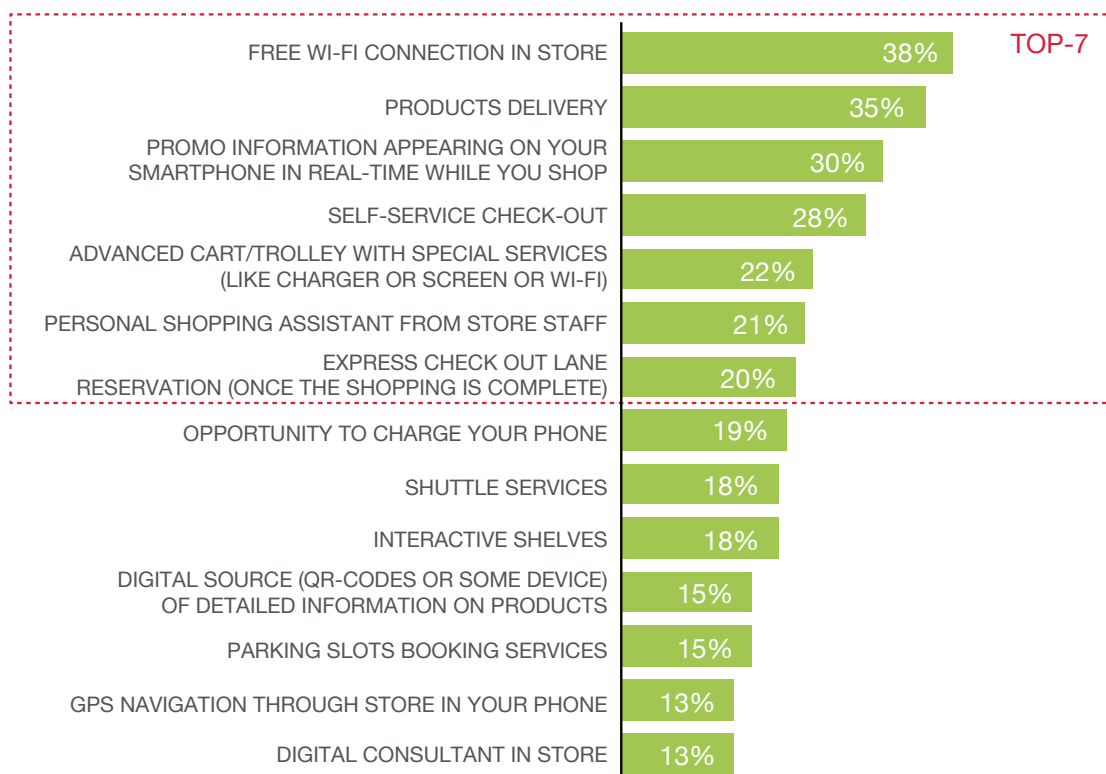
Many leaders worry about investing in technology today that may be obsolete tomorrow. The good news is that the need to add fun to and reduce the chore aspect of shopping is an evergreen benefit; investments will yield gains for many, many years.

We offer three guiding principles. First, be careful not to implement new technology for technology's sake; have a clear vision about how it will improve the fun and reduce the chore of shopping. Second, be crystal clear about your brand position's fun-to-chore ratio. Investments in the connected consumer should align with, reinforce, and enhance your brand—not confuse it. Third, strike a balance: Differentiate yourselves from competitors without overinvesting and disrupting your economics. When deciding between cheap and expensive versions of technology, don't let technical specs and cost dictate your decision. Rather, ask yourself two questions: How much more fun and less chore will this investment provide vis-à-vis my competition? Can I still make money/have a positive ROI?

## RETAILERS MUST MAKE A PORTFOLIO OF BETS AROUND CONSTANT CONNECTIVITY.

The good news is that connected consumers show demand for several new services from retailers that increase the fun or decrease the hassle of shopping.

### INTEREST IN NEW SERVICES



Source: Quantitative survey, Q1 2016

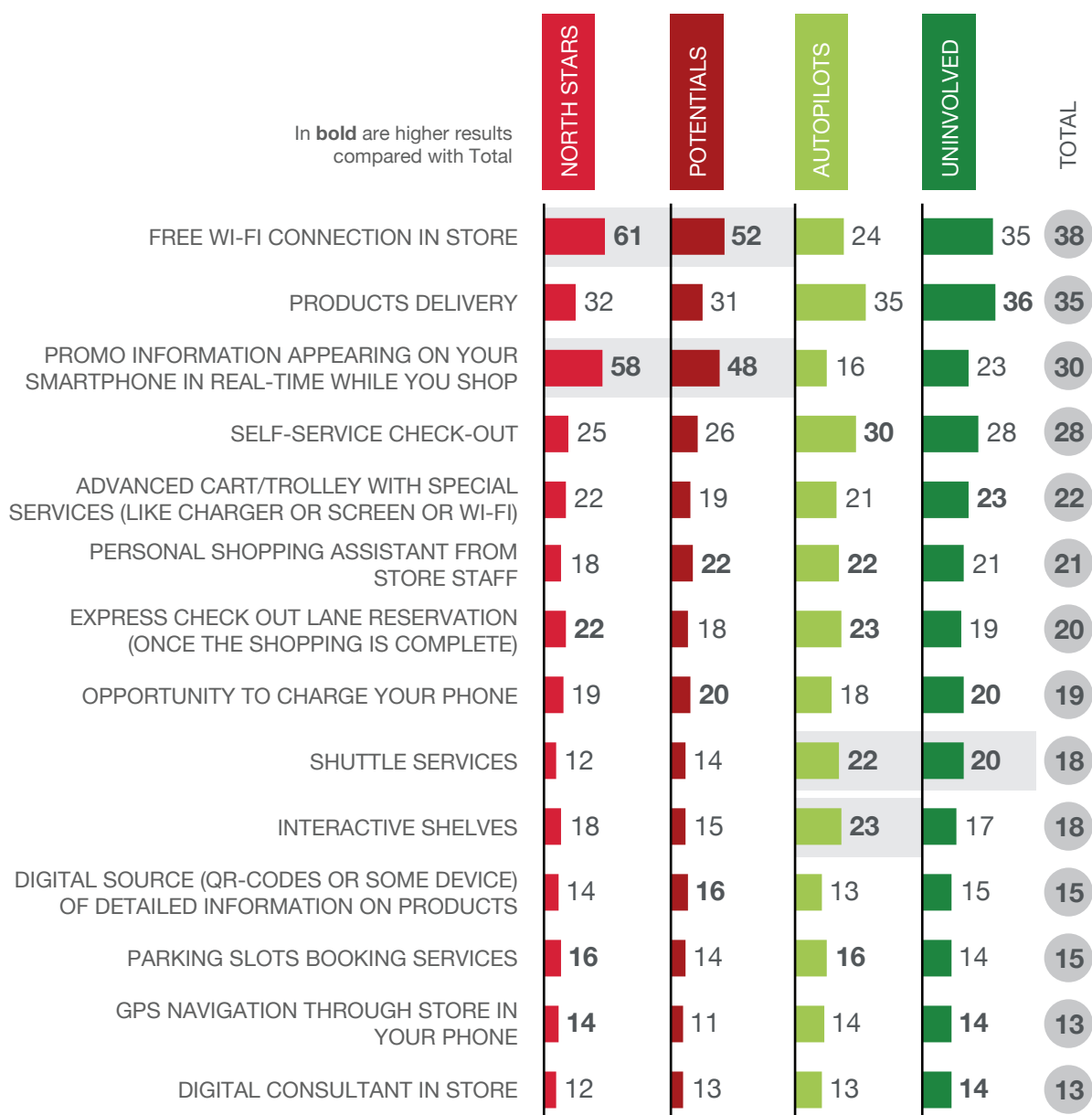
Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)



We can see that Wi-Fi and real-time promotions are highly expected by our most connected segments—North Stars and Potentials.

The more conservative Autopilot and Uninvolved groups favor classic supporting/ outside-of-store services, such as product delivery and shuttling. But it’s inspiring to see high interest among Autopilots in interactive shelf facilities; that could prove a key to involving this rather reluctant group of consumers.

## NEW SERVICES INTEREST VIA SEGMENTS



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

The challenge will be prioritize services. We have grouped the top ideas into seven big bets.

## RETAILERS MUST PRIORITIZE INVESTMENT IN TERMS OF CONNECTIVITY

RETAILER INVESTMENT IMPLICATIONS	FUN VS. CHORE		% OF CONSUMERS SELECTING A TOP NEW SERVICE WHILE SHOPPING IN STORE				
	MORE FUN	LESS CHORE	TOTAL POPULATION	NORTH STARS	POTENTIALS		
Free WIFI in store	✓	✓	38%	61%	52%	FREE WIFI IN-STORE	Higher interest overall & with NS/P
App Ecosystem							
Real Time Mid Trip/Next Trip Marketing	✓	✓	30%	58%	48%	REAL TIME SMARTPHONE PROMOTIONS	
		✓	35%	32%	31%	PRODUCT DELIVERY	Enough interest and can fund all other bets
Payment Experience innovation		✓	28%	25%	26%	SELF CHECKOUT	
		✓	20%	18%	23%	EXPRESS CHECKOUT	
Shopping Cart of the Future	✓	✓	22%	22%	19%	ADVANCED CARTS	Moderate interest, watch & plan for the future
What's App/SMS Call Center							
VIP Solutions	✓	✓	21%	18%	22%	PERSONAL SHOPPING ASSISTANT	
			Nearer Term Bets		Longer Term Bets		

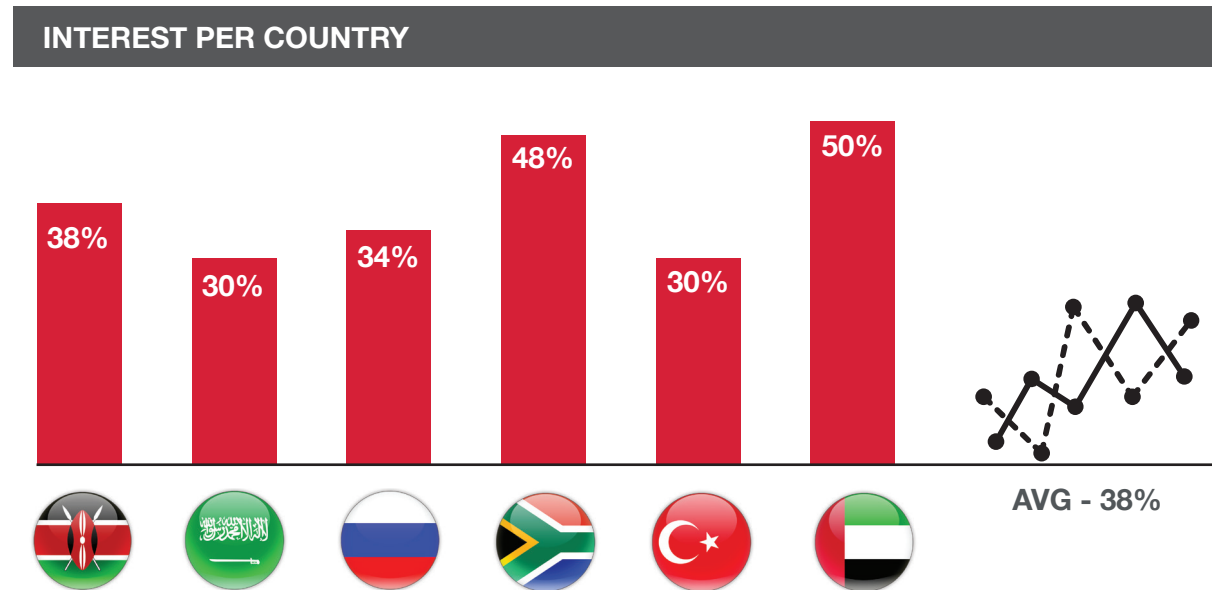
In-store innovations had high interest overall and even higher among North Stars and Potentials who are constantly connected. All of those tie closely to clearly observed behaviors of constant connectivity via smartphone and apps and having the phone ready while shopping. It makes sense that connected consumers are more receptive to being contacted while they are in the store.

## FOUNDATIONAL AND NEAR-TERM BETS

These include:

1. Free Wi-Fi in stores
2. Real-time mid-trip and next-trip personalized marketing
3. An app ecosystem
4. Payment innovations

### FREE WI-FI IN STORES



Source: Quantitative survey, Q1 2016

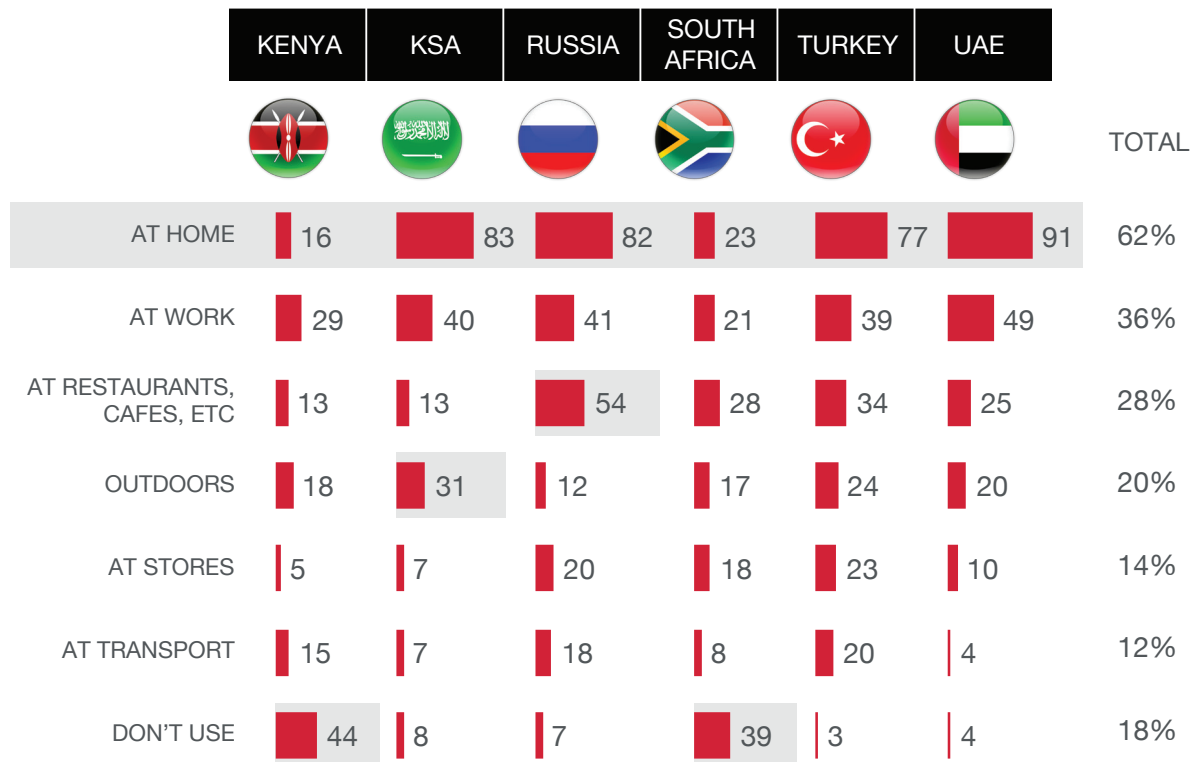
Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

*“Because this (Wi-Fi in store) will make us enjoy shopping more.”*

### **A potential in the UAE**

Free Wi-Fi is an investment simply aimed at making connectivity easier in the store. It will very quickly be a basic investment, so retailers get ahead of it, especially because it could be a differentiator as a pre-trip marketing message.. Retailers who lag in creating a store conducive to connectivity will minimize walking shoppers out of frustration, win potential trips, and build bigger baskets.

## PLACES OF WI-FI USAGE



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Other clever solutions are possible. For example, Creova and Carrefour Tunisia have partnered to provide a “top-up” service that lets consumers recharge their phones. Offering your most valuable shoppers a great deal on mobile minutes and even mobile phones is one way to stand out.

To credibly market their connected stores, retailers will most likely need to speak connected consumers’ languages—that is, speak more visually and by video.



## THE NEED FOR MORE VISUAL COMMUNICATION IS CONFIRMED BOTH BY EXPERTS AND CONSUMERS

*“Because our business is so visually juicy and that is the kind of inspiration people are looking for from our business, Instagram is very popular for us and so is Pinterest.”*

**Marketing Director, E-commerce, South Africa**

*“Then a supplier for instance would call us and say the products image on the picture is not good and suggest changing a bit in the description, in the picture or other things to make sure the products and the website comply with e-commerce standards, rules and regulations.”*

**E-Commerce, UAE**

*“It (being “in touch/connected”) means not only conversations (by phone), but also video, photo and other things like this.”*

**North Star, Russia**

*“I use my mobile phone’s camera. We don’t use photographic apparatus anymore.”*

**Potential, Turkey**

*“We have started fighting in the virtual world also by sharing all the emoticons and smileys.”*

**Autopilot, UAE**

*“You Tube helps you to show you how it functions in detail how to know more of the product.”*

**North Star, Kenya**

Source: Expert interviews – Q2 2015; Focus-Group-Discussions (6 markets: Kenya, KSA, Russia, South Africa, Turkey, UAE)

### REAL-TIME MID-TRIP AND NEXT-TRIP PERSONALIZED MARKETING

Personalized mid-trip and next-trip marketing is another near-term opportunity. Retailers all want a better ROI on their marketing spend but are concerned about turning off consumers with too much or the wrong marketing.

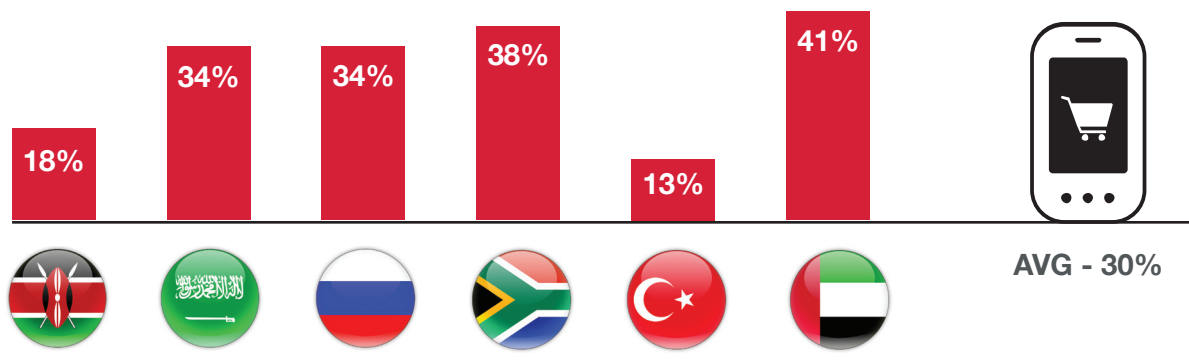
Connected consumers will invite retailers in to help them solve a set of basic questions when looking for a new product.

1. I want to buy it, but is it a good price?
2. I’m considering buying it, but I wish I knew more?
3. Should I buy this now? Or should I buy it next time?

Marketing closer to actual purchase will have greater ROI. Connected consumers would welcome help with these questions, if they believe a retailer will be objective and accurate.

Mobile promotions and displays can make shopping more fun, and they can also expand a core profit pool for retailers and be a win for manufacturers. SMS alerts about samples of new products to taste can create anticipation. Emoji based promotions and sales are new ways to deliver the “fun” elements for shoppers.

**INTEREST PER COUNTRY IN GETTING PROMO INFO IN REAL-TIME WHILE SHOPPING VIA SMARTPHONE**



Source: Quantitative survey, Q1 2016  
 Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

*“For me I have always thought that if there was an app where I could put my shopping list into the app and could say which Pick ‘n Pay I’m going to and it will actually give me a map to say start this side of the shop and then at the same time it will say this place doesn’t have this and you are not going to be looking for something if it out of stock. So if you want to find everything you can choose which store has everything and go to that store.”*

**A consumer from South Africa**

Although in the long term these questions could be answered through apps, we believe that in the short term, leveraging the SMS/WhatsApp call center tied to a mobile number is sufficient. Looking at the questions in turn:

**1. Should I buy this now or next time?**

Consumers can take a photo of the item they’re interested in and text it to the retailer, who will text back information and perhaps a coupon within 24 hours.

**2. I’m considering buying this, but how can I learn more?**

Consumers can take a photo of the item and add a question mark emoji. Retailers will text or place in their app information from the manufacturer and reviews and price comparisons.



### 3. Is this a good price?

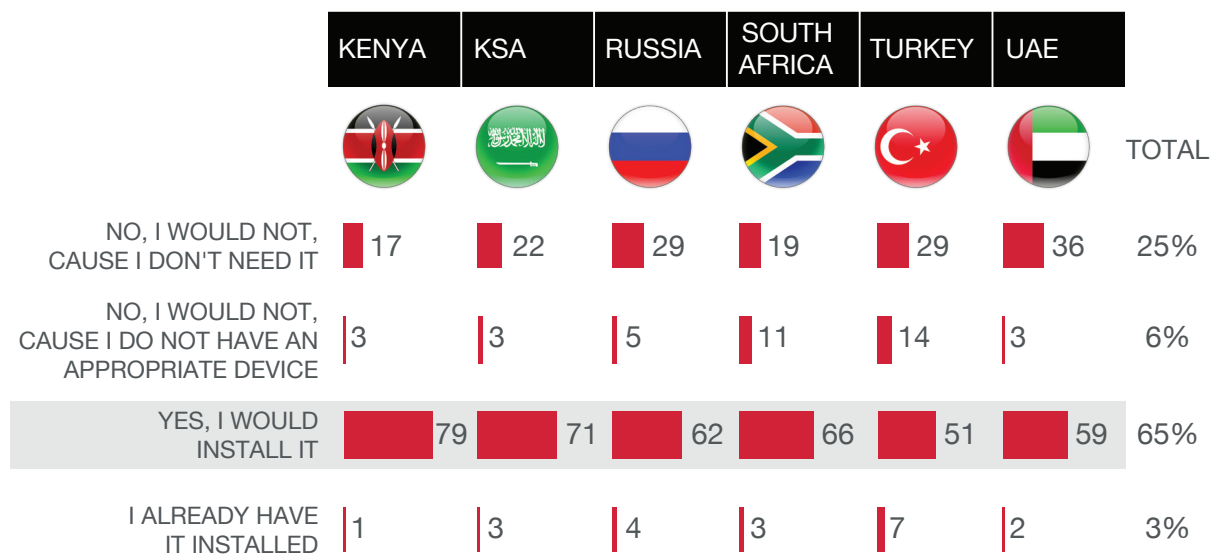
Consumers can take a photo of the item and add a currency emoji. Retailers will let them know when the item goes on sale. They can also inform consumers of deals available only online.

### APP ECOSYSTEMS

Retailers should start now on mobile app development: the very best apps have tremendous emotional power, and can monopolize minutes.

It's unlikely that most retailers can create apps that will be relevant and differentiated enough to stand out from those created by companies whose core business is app development. Focus on being relevant within the dominant apps for connected consumers today as a start, then eventually focus on your own retailer's app. Plug into natural ways smartphone users use their apps today: solutions like payment experience innovation, What's App call center, and other VIP solutions can be the main use-cases for your own retailer's app.

### IN CASE YOUR PREFERRED GROCERY STORE WOULD HAVE AN APP - WOULD YOU INSTALL IT?



Source: Quantitative survey, Q1 2016

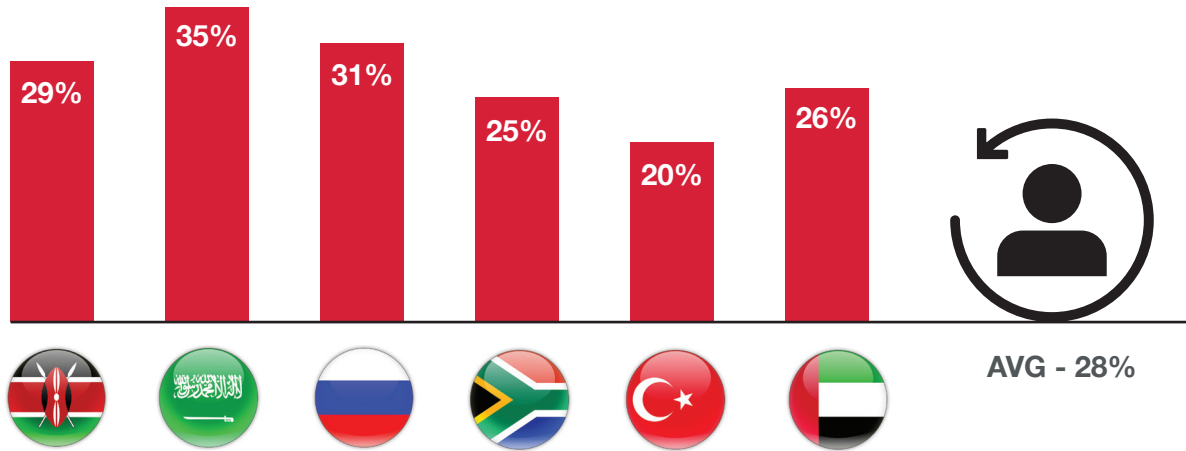
Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

### PAYMENT EXPERIENCE INNOVATIONS

Payment experience innovations—both high- and low-tech solutions—will be incredibly important, because they benefit both the consumer and the retailer.

For consumers who view grocery shopping as a necessary evil, making the last step in the process easier, faster, and more pleasant can be a trip driver and a deciding factor in which grocer they choose.

## INTEREST PER COUNTRY IN SELF-SERVICE CHECK-OUT



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)







Low-tech solutions are already within reach. For example, innovations such as shifting payment to the start could dramatically improve the experience.

### WHAT IF CONNECTED SHOPPERS COULD:

1. Pay for a fixed set of groceries at a kiosk at the beginning of the grocery experience.
2. Buy “I already paid” stickers online or at the store entrance. Consumers could pay for frequently purchased items and show the stickers on the way out.
3. Get a “fast pass” cart—pay extra at the start of the trip for a color-coded cart that provides access to an express checkout lane or the ability to cut to the front of the line.

Coupling low-tech mobile pay solutions with high-tech ones is a huge opportunity. Regions such as Africa already lead the way in mobile payments, and other markets in Scandinavia are already far down this path. In some markets in Africa, mobile money is the second most popular activity on phones—it has overtaken the use of camera and video. The key for retailers is to eliminate the costs of handling, managing, and securing cash. MasterCard Advisors estimates that the cost of managing cash to society is 1.5% of GDP worldwide.

## PREFERRED PAYMENT METHODS

	KENYA	KSA	RUSSIA	SOUTH AFRICA	TURKEY	UAE	TOTAL
							
CASH MONEY	86	96	62	68	47	94	75%
DEBIT CARD	13	25	57	47	28	27	33%
CREDIT CARD	22	12	34	27	56	33	31%
MOBILE PAYMENT	52	4	5	12	11	2	14%
STORE CARD	13	4	16	19	18	3	12%
ONLINE PAYMENT	17	2	8	9	10	1	8%
PERSONAL CREDIT ACCOUNT IN STORE	12	1	3	14	3	1	6%

Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Accelerating the transition from cash could fund all other connected consumer investments.

As we saw with M-Pesa in Kenya, mobile payments have tremendous growth potential in the region—a view experts endorse. The trend holds in other markets in Africa; from 2013 to 2014 mobile transactions increased by 52%, reaching 14 million—twice the number of bank accounts in Kenya. Mobile transactions are similarly important in Ghana, Tunisia, and Egypt.

*“Definitely, your phone right now is the number 1 tool for you. You access everything around you. You want to order food, you order through your phone, you want to make your **payments**, you do it through your phone, your fines, through your phone, your friends, through your phone, to check up on someone who died, through your phone. If you know what I’m saying. All the news on your phone. The applications... the smart applications that they’re coming up with; the diet, the sports obligation... It’s a huge world.”*

**Digital Expert, UAE**

*“Why does my bank charge for my statements? It’s a violation of rights.”*

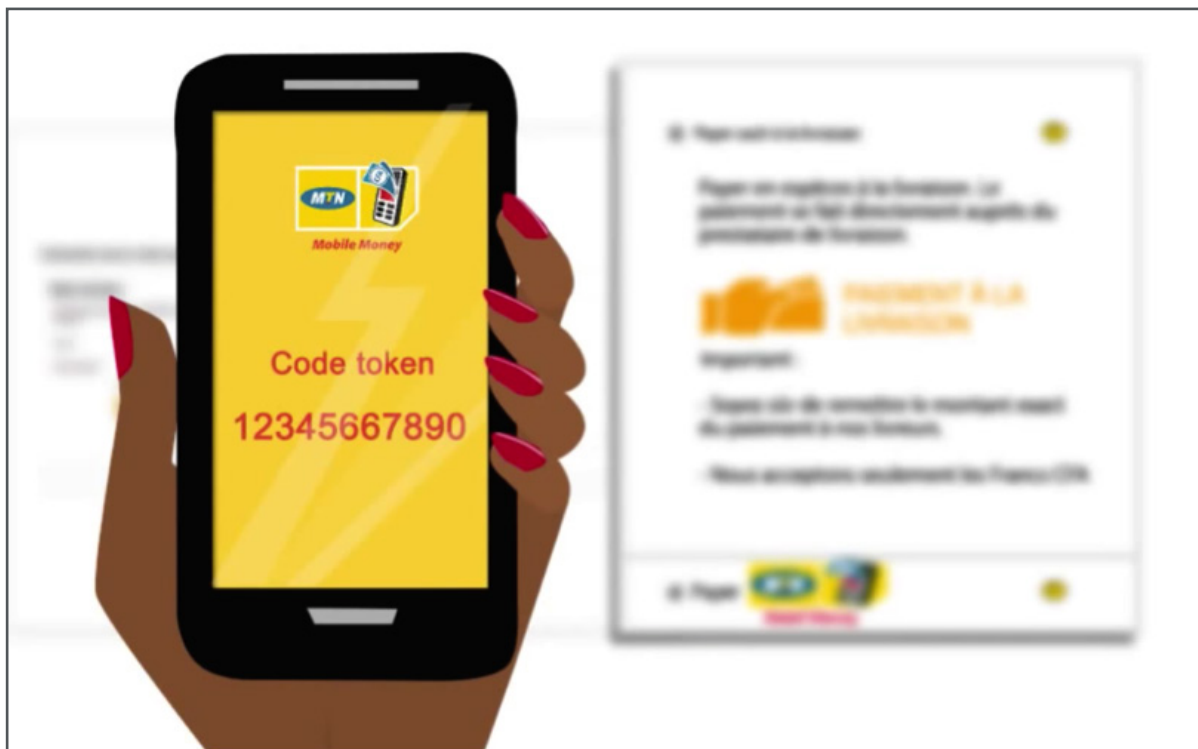
**Kenyan consumer**

“People wouldn’t want to use printed debit cards in their pockets so that is why the mobile technology would help so there is only one mobile phone and all the **payments** are linked to one.”

**Brick & Mortar retailer, UAE**

Source: Expert interviews – Q2 2015, Focus-Group discussions, Video Diaries – Q3 2015

We see applications growing in other parts of the region as well. For example, Jumia has partnered with MTN in Ivory Coast to offer a mobile payment option for online purchases.



Source: Jumia Ivory Coast





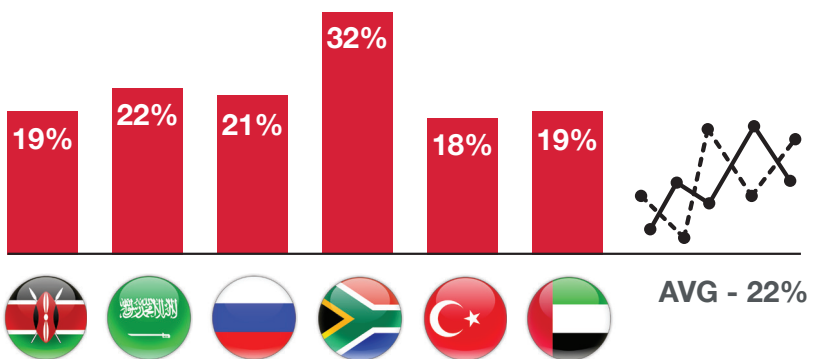
## LONGER-TERM BETS

The following investments are equally important, but they may be more conceptual and lie further out. Engaging your most valuable shoppers is strategically critical, so these innovations should be carefully watched and planned for the right time.

### THE SHOPPING CART OF THE FUTURE



#### INTEREST PER COUNTRY



Source: Quantitative survey, Q1 2016  
Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

There are three areas of innovation for the shopping cart of the future—basic usage, faster trip, and enhanced connectivity. At the heart of these changes is the idea that the shopping cart can act as an extension of the mobile phone and the powerful personal connection that connected shoppers feel to that device and its uses.

The most basic area of innovation involves the ease of using the shopping cart itself. A cart that is easier to push and can be maneuvered with one hand will be a difference maker. One with a holder for mobile devices—letting consumers see their phones while using both hands to shop is a minimal requirement. A cart that allows shoppers to remain connected to their mobile phones through power and ease of use is a minimal requirement in the future.

Several cart innovations could foster faster trips and build on current and emerging mobile phone capabilities. As described earlier, shoppers could pay for a color-coded cart that allows them to cut to the front of the checkout line. Carts could support the use of a mobile phone as an information point for offers, recipes, inspiration, chats with store employees and the checkout process. This support could be as simple as power and ease of use. It may evolve to include waste and theft balance checks and features that express a shopper's mood to those around them in the store.

To enhance connectivity, carts could incorporate chargers for mobile devices. They might contain wireless hotspots. Supporting mobile phone use makes it easy for connected shoppers to browse for recipes, coupons, and reviews or keep their children entertained.

*“You know that would be nice to have a screen on the trolley and then the children can sit still for a few minutes while you shop”*

#### **A consumer from South Africa**

A truly differentiated shopping cart of the future could be a great competitive advantage.

### **WHATSAPP/SMS CALL CENTERS**

These could solve the problem of in-store associates who are not as helpful as consumers would like. An SMS/WhatsApp-based texting call center, either inside a store or in a nearby central location, could be a game changer simply by allowing shoppers to get basic questions answered quickly and in a pleasant manner.



#### **1. WHERE IS IT?**

*“I’ve got a horrible thing, because less than 1km away I’ve got Checkers Hyper, Checkers on the other side, Pick n Pay, I’ve got a Woolworths so it’s like playing Russian roulette with the wife. Where do you want to go today?” **Autopilot, South Africa***



#### **2. HOW MUCH IS IT?**

*“Sometimes I hate shopping, you are dropped at the supermarket and you have little money, in most cases you spend more than you expected, like lotion, I love Nivea, you get black and white, so you get the deodorant, and you want to buy it, yet the money I have is very little.” **Potential, Kenya***



#### **3. HOW DO I GET OUT OF HERE FASTER?**

*“Because there’s five people in front of you and the lady at the till cannot get that card to work. And you move to the next till and guess what? This old lady here is taking hell of a slow, because she has a voucher.” **Autopilot, South Africa***



For in-store experience, retailers can win by entering into relationships with connected consumers. They must build SMS call centers that allow them to react in real time; these will build baskets and trips. Consider, for example, SMS messages alerting consumers to times when the store is less crowded and lines are short. And consumers could text a remote employee for prices and product locations rather than having to track someone down in person. Promotions might be more powerfully marketed by pictures (of the category and emoji than by text.

We have seen emoji-based promotions and online chat for other businesses, indicating key opportunities for retailers as well. Domino's launched the ability to order pizzas simply by tweeting a pizza emoji. This benefits a retailer for whom 45% of their orders now come digitally



## VIP SOLUTIONS

*“...we’ll have personal assistance in our devices... For example, I would say: Siri, order me a chicken burger Monday and Tuesday and I’ll have my chicken burger Monday and Tuesday at a specific time. ...the nice thing about it is that it will give me the cheapest one around the block and the quickest one that will get through to me. So it will be convenient...”*

### **A consumer from South Africa**

With an SMS/app texting call center tied to a mobile number, a retailer will have a built-in CRM program. It can be used to assess and prioritize high-value shoppers and to offer VIP solutions for their next trip.

VIP solutions have been well developed in the travel industry, and we can borrow many tactics:

1. VIP parking or valet, along with digital alerts notifying consumers when the store is less crowded.
2. VIP carts that support access to faster digital self-checkout areas and can be left next to an automobile.
3. VIP associates, both in-store and remote, that help consumers find preferred items, preferred recipes and get out of the store quickly.
4. VIP payment solutions that use connectivity with shopper accounts to provide customized credit and payment terms.
5. VIP offers based on the latest shopping trips and promotions tailored to geo-location, time of day and location in the store.
6. VIP assortments—exclusive assortments, like fresh that morning or out-of-stock sent items to consumers’ homes when they become available.

In addition to offering classic VIP solutions to the most valuable and loyal shoppers, who have earned them over time, those solutions, once available, can be sold piecemeal when regular shoppers need extra help.

## WHAT INFORMATION WOULD YOU LIKE TO GET FROM RETAILER BEFORE THE TRIP?

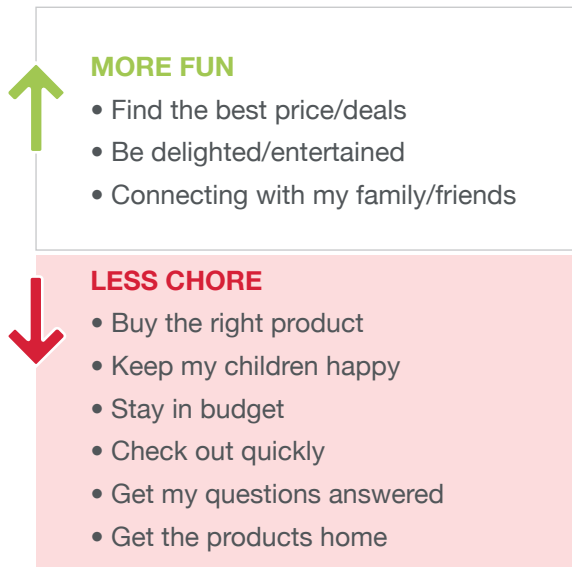


Source: Quantitative survey, Q1 2016

Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

## THREE ILLUSTRATIVE EXAMPLES

To bring these concepts to life, we created three fictitious retailers: Best Value, focused on low price and convenience (less chore); Super Fresh, focused on a great assortment and experience (more fun); and E-com Express, an online grocer focused on low price and wide assortment (a combination).



Best Value's strategy is to win on price and convenience. This makes it easy to discern which bets to place. First and foremost, free Wi-Fi is imperative, as both a trip driver and a foundation for other bets. The retailer requires consumers to sign up for the free service using their mobile numbers so that it can send out offers and build its CRM system.

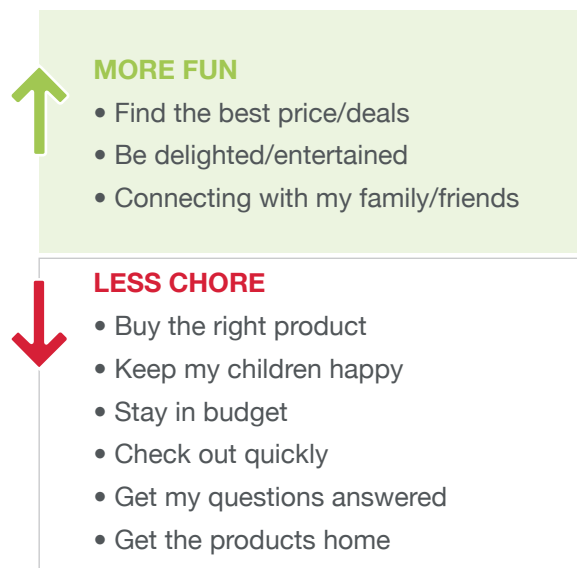
Best Value makes mostly near-term bets that are consistent with its value proposition. When signing up for free Wi-Fi, consumers are asked to download a free app that asks which categories they would like real-time smartphone promotions for. The app not only offers shoppers even better prices; it keeps track of all the promotions delivered and the total amount a consumer has saved since joining. It gives consumers a ranking of where they fall relative to top savers across the chain, thus creating a community of value seekers.



After a few trips, the app tracks the categories in which consumers repeatedly use promotions. During their next trip to the store, it asks if consumers want to enroll in a subscription program for those categories, for even greater savings. It gives connected consumers the option to ask for subscription pricing simply by texting a photo of the product to Best Value's WhatsApp call center. If they subscribe to enough categories, shoppers can opt to pick up a product in the store or buy it online and have it shipped.

Best Value makes two other big bets. The first is express checkout lines for connected shoppers who regularly use the app, join the WhatsApp community, and are willing to use e-payments or credit instead of cash. A small number of shoppers who drive a majority of revenue sign up for this service, reducing Best Value's cost of cash and helping it fund more bets.

Second, for consumers using e-payments on the app, Best Value makes a bet on VIP solutions. It creates a dedicated WhatsApp/CRM team that analyzes these consumers' spending patterns and uses algorithms and human judgment to predict other categories of interest. The store reaches out to its best shoppers, asking if they have an overall savings goal such as putting money aside for a big trip or a big purchase. Best Value takes on that goal as its own: It proactively finds ways for these shoppers to save and contributes extra money to shoppers who reach the goal at Best Value. Word of mouth alone drives numerous incremental trips to Best Value.



Now consider Super Fresh, a chain committed to winning on assortment and experience. Like Best Value, it bets on free Wi-Fi as both table stakes and a foundation for every other bet. It offers this at basic speeds without any sign-up requirement. Consumers can access higher connectivity in exchange for downloading the Super Fresh app and identifying the categories they are most excited about.



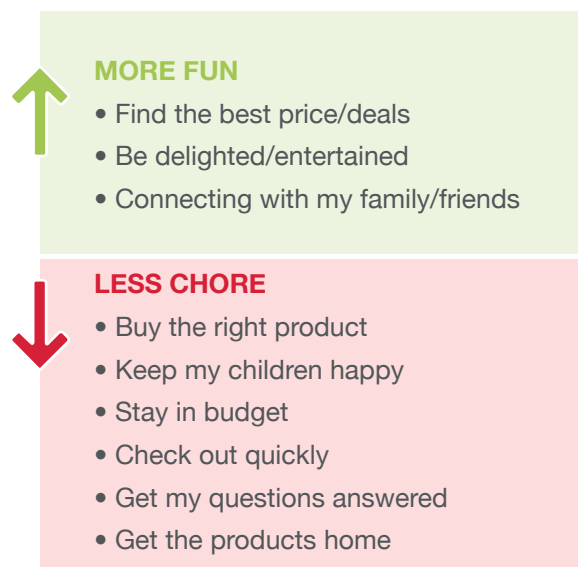
Super Fresh offers real-time smartphone promotions—not price-driven promotions but rather information about new categories, products, and brands. It alerts consumers to free samples and product demonstrations in the store.

Super Fresh finds that its real-time promotions increase not just the basket but also the time spent in the store. This sets up its next bet—the shopping cart of the future. Super Fresh designs a trolley that is easily maneuverable with one hand and has a place to hold and charge smartphones with a fast wifi booster. Connected shoppers are encouraged to use the Super Fresh app on their phones that displays beautiful photos of new products as they walk through the aisles. Relevant information about new products that the shopper has observed is immediately sent to the shopper’s phone, and at checkout he or she is offered samples to take home.

The shopping cart of the future is not a one-time innovation. It leads to a special cart reserved for VIP shoppers and available to others for a one-time fee. The cart is a distinctive color and offers unique benefits. It gives shoppers access to preferred, close parking. When they pick the cart up, they can choose a new beverage to try as they shop. They can access a direct line to SMS and WhatsApp, contact a Super Fresh expert at a central location with questions, and potentially receive new offers. When ready to check out, they simply walk out of the door where their cart has worked with the shopper’s phone to scan and verify all of the items. The shopper then leaves the cart next to their car where it notifies the store that it is empty and ready for collection.

Super Fresh looks at the categories its VIP consumers repeatedly buy and loads videos, recipes, and photos from the VIP community to provide inspiration and make shopping more fun.

Finally, Super Fresh has a dedicated WhatsApp/CRM team for its VIP shoppers. The team, which includes professional chefs and celebrities in addition to CRM and loyalty experts, analyzes broad patterns of what people buy and infers what else they might look for. It creates lists of top-ten new produce, meat, and recipes, crowdsourcing opinions about what the assortments should include. It curates the top five items and offers them in-store at specific times shared only with VIP shoppers.



E-com Express sees opportunities to complement physical retail, not just compete with it. First, it identifies a few key physical retail partners with brand strategies that appeal to consumers similar to its own online shoppers and with brand value propositions that dovetail nicely (for example, similarly wide assortments). It lends its digital expertise to create an app ecosystem, offering “white label” apps to its physical partners for in-store activation. Each download comes with a link to its own e-commerce app.

The firm pays for free Wi-Fi in its partners’ stores, which make clear to shoppers that the Wi-Fi is provided by E-com Express. The partners also agree to push any direct-to-consumer shipments to E-com Express. This gives the company scale and eliminates redundant capital expenditures for its physical retail partners.

Last, E-com Express creates a hybrid of VIP solutions and a WhatsApp call center. It offers its best shoppers a hotline to a dedicated WhatsApp number. While using a PC to shop online, VIP shoppers are guaranteed a response rate of a minute or less and resolution of their question within 10 minutes. Shoppers can take a photo of an online QR code and text the item and their questions (using emojis if they wish)—a service that makes it even easier to browse and shop online. Each incremental click reduces a transaction’s close rate; the mobile/WhatsApp call center dramatically reduces click dropout and thus dramatically drives revenue.





## A CONNECTED CONSUMER FRAMEWORK TO HELP PRIORITIZE AND PLAN

Finally, the connected consumer framework shows that leading-indicator consumer segments—North Stars and Potentials—constitute a predictive method for prioritizing and planning bets.

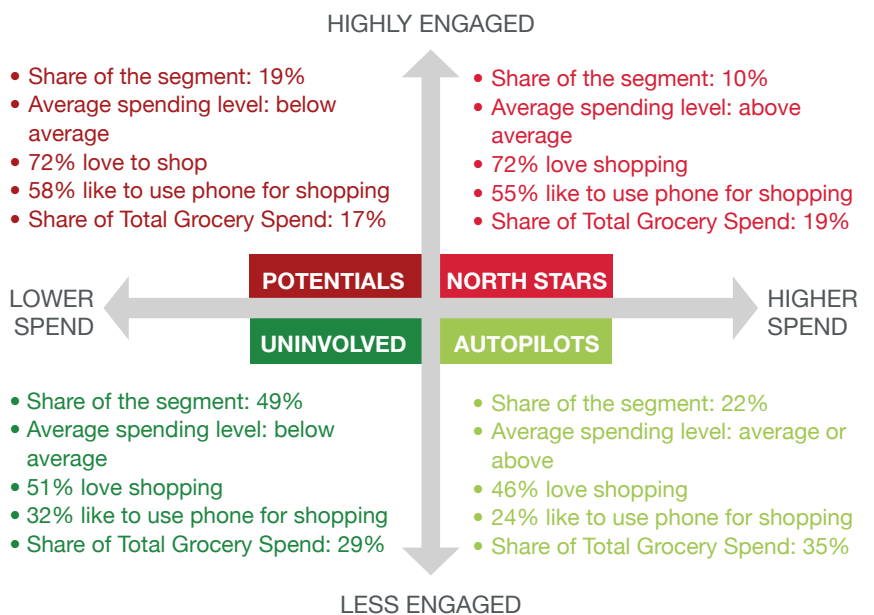
Retailers must be aware of the relative states of connectivity in their markets. The speed of connected consumer demand in Eurasia and Africa, as elsewhere in the world, may be ahead of practical connectivity. CRRRC sees this as both a challenge and an opportunity. What is the best way to track evolving consumer connectivity in a given market? What role should a retailer play in facilitating the evolution, keeping in the mind the high emotional engagement with digital connectivity and the varied connectivity experience within the region?

### FRAMEWORK AND SEGMENT SPECIFICS

We defined consumers along two dimensions: emotional and practical engagement with a digital lifestyle, and total retail spending. This yielded four segments, two of which (North Stars and Potentials) account for 30% of households and have a superior engagement in a digital lifestyle.

#### SEGMENTS INTRODUCTION

##### CONNECTED CONSUMER FRAMEWORK



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

The two lead segments are differentiated from each other by age and spending power. Potentials may one day become North Stars; alternatively, they may represent a future in which disposable income is less concentrated. In either case, Potentials are critical to understanding tomorrow, while North Stars are crucial to understanding big connected spenders today.

## KEY DIFFERENCES BETWEEN LEAD SEGMENTS OF CONNECTED CONSUMERS AND SHOPPERS

### MOTIVATIONAL AND AGE DISTINCTIONS (% TOP TWO BOX AGREE)

	NORTH STARS	POTENTIALS	AUTOPILOTS	UNINVOLVED
<b>ATTITUDE</b>				
<i>"I am confident about my future"</i>	78% (131 index)	69% (112 index)	49% (96 index)	57% (92 index)
<i>"I don't mind paying more for better quality"</i>	75% (150 index)	73% (125 index)	52% (94 index)	56% (83 index)
<i>"I like to search and try something new while shopping"</i>	72% (141 index)	68% (133 index)	40% (79 index)	45% (88 index)
<i>"Shopping online makes my life easier"</i>	71% (147 index)	71% (147 index)	37% (77 index)	39% (82 index)
<b>AGE</b>				
18-20	4%	4%	8%	7%
21-30	37%	47%	37%	47%
31-40	36%	32%	32%	27%
41-50	24%	16%	24%	18%

Source: Quantitative survey, Q1 2016

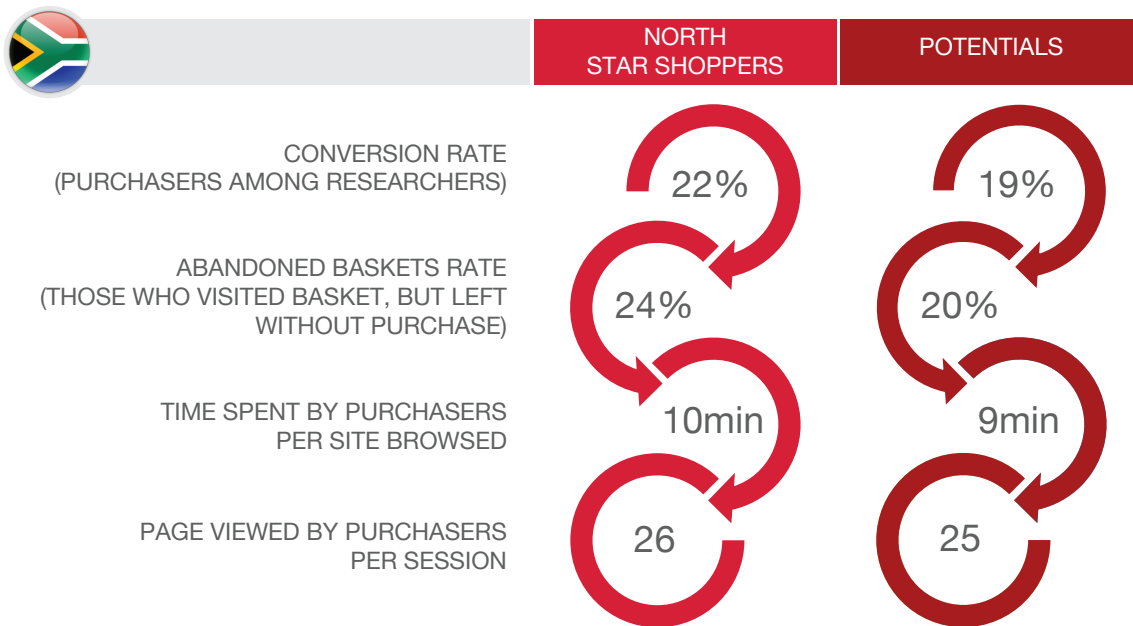
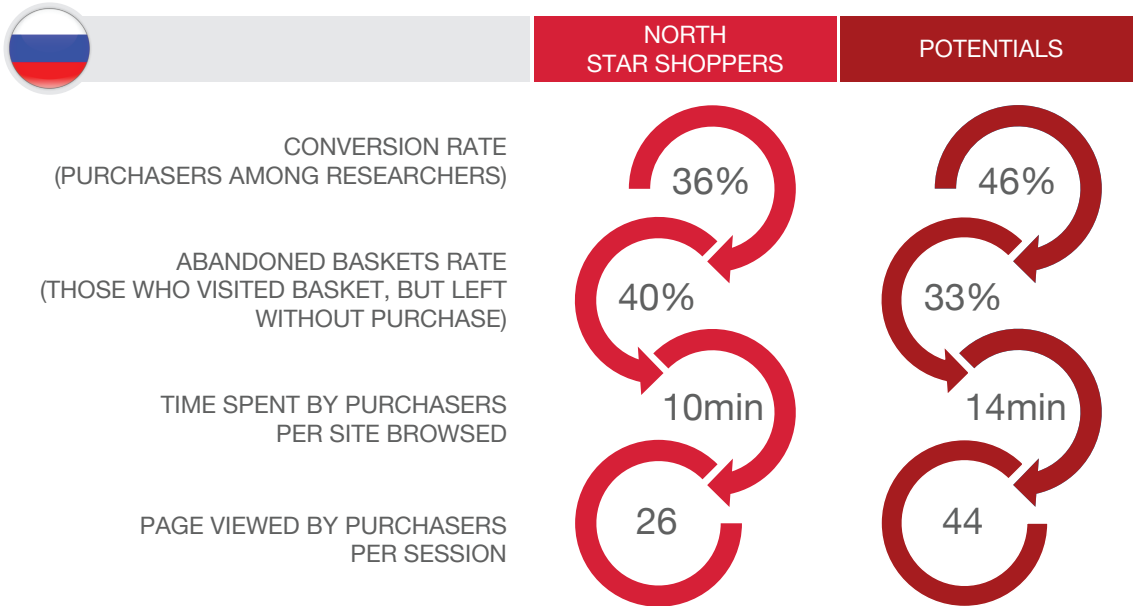
Sample: 3022 respondents, Urban population (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

Understanding the similarities among and the differences between these lead segments is key to defining a connected shopper strategy.

Our online observations focused primarily on the two lead segments. In terms of online purchase behavior, we found a high degree of similarity around conversion to online purchase in both Russia (PC) and South Africa (mobile devices).



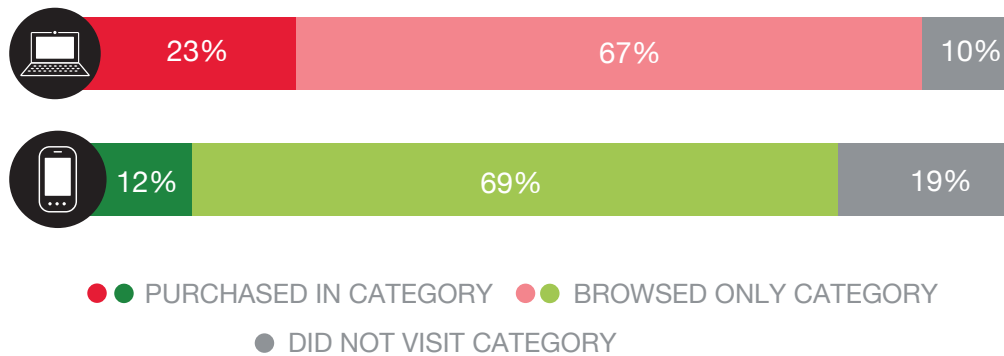
## ONLINE PURCHASE CONVERSION IN RUSSIA AND SOUTH AFRICA AMONG ONLINE ACTIVE AUDIENCE



Source: OOnline observations – Q3-Q4 2015 (Russia: 200; South Africa: 200+)

In terms of preferred devices for shopping online, we observed a tendency to make purchases using PCs (bigger screens than mobile). However, markets with lower PC penetration and younger populations showed higher mobile-shopping rates, confirming the possibilities for online shopping and also predicting platform switching.

## NON-GROCERY-SELLING WEB-SITES MONTHLY BROWERS & PURCHASERS BY DEVICE TYPE



Source: Online Observations, Q3-Q4 2015, South Africa, PC n=198, Smartphone n=91

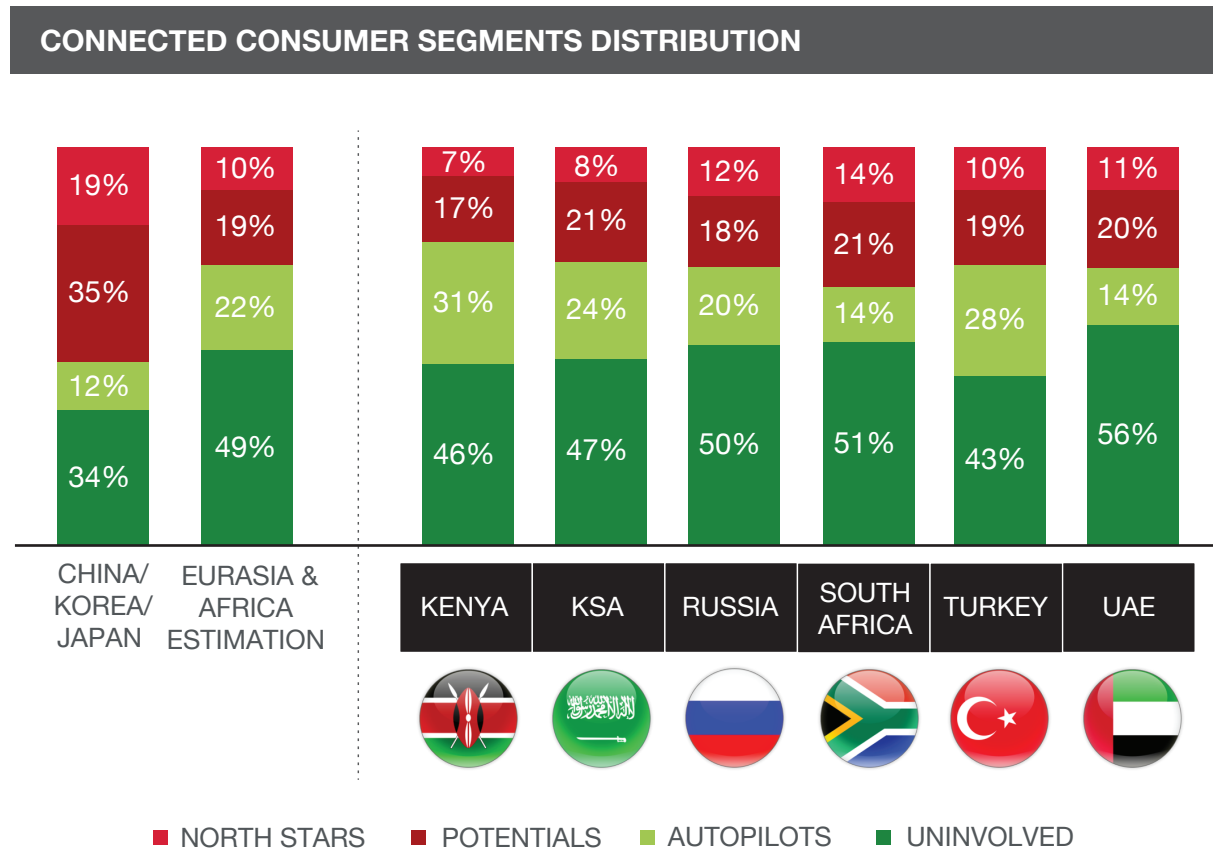
Thus, with regard to online purchase behavior, it is possible to regularly measure North Stars and Potentials to make better choices. A specialty, niche retailer can most likely bet on a North Star (assuming that fits with its brand strategy), but a larger, more mass retailer may want to wait until Potentials are ready as well.

This presents retailers with an opportunity to provide real-time inputs to shoppers to facilitate decisions in-store.



## APPLYING THE FRAMEWORK

To test the framework's predictive ability, we looked at the four segments in highly connected consumer and shopper markets, such as China, Korea, and Japan. North Stars and Potentials accounted for 54% of the consumers we surveyed here, as compared with 29% in Eurasia and Africa.



Source: Quantitative survey, Q1 2016

Sample: 3022 respondents (Kenya: 503; KSA: 503; Russia: 517; South Africa: 500; Turkey: 500; UAE: 499)

If grocers can identify a select number of North Stars and Potentials, they should be able to anticipate and prepare for changes in connected consumer behavior.

## ANNEX - RESEARCH SCOPE AND METHODS

We conducted our study in 2015 and 2016. We covered six markets (Kenya, the Kingdom of Saudi Arabia, Russia, South Africa, Turkey, and United Arab Emirates) and applied a variety of research methods.

	COUNTRIES COVERED	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY
<b>STAGE 1. UNDERSTANDING THE INDUSTRY (DESK RESEARCH + OPINION LEADERS)</b>										
DESK RESEARCH (6 countries)	Kenya, the Kingdom of Saudi Arabia,									
OPINION LEADERS INTERVIEWS (24, 4-5 per country)	Russia, South Africa, Turkey, and United Arab Emirates									
<b>STAGE 2. UNDERSTANDING THE SHOPPERS (FOCUS-GROUPS, VIDEO-DIARIES, QUANT, ON-LINE OBSERVATIONS)</b>										
18 FOCUS-GROUPS (3 per market)	Kenya, KSA, Russia, SA, Turkey, UAE									
18 VIDEO-DIARIES (3-4 per market)	Kenya, KSA, Russia, SA, Turkey									
ON-LINE OBSERVATIONS (200 per market)	Russia, South Africa									
QUANTITATIVE SURVEY (3000, 500 per market)	Kenya, KSA, Russia, SA, Turkey, UAE									

**Desk research.** We gathered basic statistics, with a focus on the main KPIs of current e-commerce and grocery retail.

**Interviews with opinion leaders.** We spoke with experts from modern trade retailers, e-commerce, digital agencies, and Nielsen.

**Focus group discussions and video diaries.** Here we concentrated on North Star, Potential, and Autopilot shoppers, exploring connectivity and shopping specifics by country.

**Online observations.** We examined the online activity of North Star and Potential consumers in Russia (PC only) and South Africa (PC and mobile).

**Quantitative surveys.** We targeted national urban populations in each market through online panels, telephone interviews, and face-to-face interviews, depending on market specifics.

**Calibration.** As discussed, we intentionally skewed toward urban smartphone users. Comparing CCRRC survey numbers to overall markets is not appropriate, so we drew on other data sources of urban smartphone penetration. Keeping this context in mind will help readers calibrate the data of the study. We gathered these calibration numbers from a variety of sources, listed below.

	TOTAL MARKET SMARTPHONE PENETRATION <sup>1</sup>	URBAN SMARTPHONE PENETRATION <sup>2</sup>	CCRRC SURVEY SMARTPHONE PENETRATION <sup>3</sup>
South Africa	37%	62%	65%
Kenya	26%	68%	75%
UAE	78%	78%	92%
KSA	77%	80%	95%
Russia	45%	75%	81%
Turkey	59%	75%	90%

1. Numbers for South Africa, Kenya, Russia, and Turkey are from a Pew Research Center survey conducted in 40 nations among 45,435 respondents in Q1–Q2 2015. Numbers for UAE and KSA are from Google’s “Our Mobile Planet—2014.”
2. South Africa: All Media Product Survey 2015 conducted by Nielsen, Kenya/UAE/ KSA: Nielsen Telecom Insights team; Russia: Crisis study held in Q4 2015 across urban populations; Turkey: Turkey smartphone/tablets insights report conducted in Q1 2015.
3. CCRRC quantitative survey targeting national urban middle-aged populations involved in the family grocery-shopping process.



