

# **A Closer Look at e-Commerce Attractiveness and How to Market It**

*A Follow-up on the Business Project 'Is the Future of Grocery Retail Online?'*

**Catarina Rego Esteves da Silva Araújo**

**#5302**

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## **Brief Context of the Business Project**

### The Company

Founded in 1970, Daymon Worldwide is present in 50 countries and is currently the only full-service Private Brand and Consumer Interactions Company. Their aim is to help retailers and supplier partners reach profitable growth via customized retail brand building and sourcing solutions, using the five expertise areas under their corporate umbrella: Private Brand Development (Daymon), Strategy & Branding (Galileo), Sourcing & Logistics (Omni), Retail Services (SAS) and Consumer Experience Marketing (Interactions).

### Daymon's Situation & The Business Project Challenge

Client-wise, Daymon touches every type of retail channel, from convenience stores to office supplies, to e-commerce. The types of solutions they provide are endless, and being able to consult their clients on as many different areas as possible is crucial for growth.

Therefore, conscious that the World Wide Web's billion dollar business is the future of most businesses, the Lisbon offices decided to challenge our CEMS group to research more in-depth into this market and its' opportunities for grocery retailers in Europe.

Eventually, this initial task grew into others, transforming our business project into one with three, very distinct challenges: (1) delivering a 'snapshot' of the European E-commerce, (2) creating a 'country-attractiveness' scoring model for the overviewed countries, and (3) developing a convincing strategy for one of Daymon's clients to start their own e-retail operations in one of the countries. For this last part, the Company asked the group to focus on one of Portugal's major grocery retailers, Pingo Doce, that has no online operations yet.

### Market Overview

As Daymon is unique in its offer, specializing so deeply in retailing and sourcing, no direct competitors exist. Instead, according to the challenges described above, it became more useful to analyze the online market for Daymon's potential clients in Europe, including what competitors they face and what implications this has on their online strategies.

Immediately, the pool of countries was narrowed down and divided into two different clusters: the 'Established Giants' and the 'Emerging Jewels'. The former comprised the major e-commerce players in Europe (United Kingdom, France and Germany), where best practices were to be observed. The latter included a group of countries where e-commerce potential was still untapped but could have future profitable growth, hence using the label

‘jewels’ as reference to Portugal, Poland, Russia, Turkey, Greece and the Ukraine.

On a bright note, countries that were fast to act like the ‘Established Giants’ are now within the most developed e-retailers. France, the UK and Germany gained success from different innovative and clever techniques: drive model (France), multi-channel integration and CRM (UK), and delivery-only companies (Germany). Revenues have been building up and projections estimate incremental growth in each country up to 2017 as consumers become less skeptical of online payments and shopping.

Despite the economic downturn, developing economies too are enjoying high e-commerce growth rates, partly due to large market sizes and population (i.e. Russia). According to Euromonitor (2014), Ukraine followed by Turkey and Russia will experience growth rates up to 2018 of 211%, 167%, and 151%, respectively. The increased Internet usage has heightened the perceived utility of online shopping for any player, signaling that latecomers too have a chance to strive.

### Summary of Conclusions

Many businesses have now realized that the key to success and profits rests in e-Commerce and some key pillars will be transversal to all players in guaranteeing returns. One example is the need to constantly innovate and to invest in Customer Relationship Management (CRM). These potentiate revenues by heightening the customer’s perception of a specific grocer’s added value, create an emotional lock-in factor and increase switching costs. Multi-channel presence will also heighten total spending in the one grocer that adopts it, debunking the myth of cannibalized sales (PwC, 2013). And while early movers might have some advantage, latecomers will benefit by learning from their mistakes. Nevertheless, care must be taken when attempting to pivot each country’s approach to e-retail or even when implementing it in other countries as our analysis demonstrates that best practices are not universal and may fail in some cultures.

## **Developing Further the Scoring Model and Creating a Digital Marketing Strategy**

One of the most challenging and creative tasks in the Business Project was to develop a model that would score each country's 'attractiveness'. In other words, a model that ranked how relevant and/or profitable the countries chosen previously would be for new e-commerce players. After, recommendations on how to interpret and 'act on' the data were presented.

### Original Approach

The original scoring model (please see Appendices 1 and 2) assessed not only the nine original European countries, but also three other Asian countries requested by the company (Philippines, China, Indonesia) that were eventually removed.

The end purpose of this assessment was to have a tool that would tell grocery market executives, whether they should or not venture online into a particular country. The model was into the two main characteristics external to it – Supply and Demand – and tried to address most Forces of Porter (Besanko, 2009) that would impact success like 'buyers bargaining power', the availability of substitutes, and internal rivalry.

Within both categories, subsets were created and weighted to represent the biggest source of strengths and weaknesses for a grocery retailer. Demand (77%) was broken down into: Current Statistics (38%), future trends (20%) and Internet Infrastructure (19%). While supply scores (23%) were calculated based on: Market Fragmentation Levels (5%), Sophistication of Existing Websites (3%) and Ease of Doing Business in that specific country (15%). The large difference of weights between supply and demand was intentional, signaling our belief that the clients, rather than competition, are the main motivation behind any player's moves.

After gathering each country's data, all values were attributed a score ranging from 1 to 5. Most times, criteria were positively correlated to scores (i.e. more GDP meant more purchases and thus a higher score). Yet, for two supply criteria the reverse happened. The more concentrated a market was or the more sophisticated the existing websites were, the lower the score a country would get as such would act as a barrier to a new entrant. A weighted average would then be calculated to reveal each country's final score, hence it's 'attractiveness'. The higher the value, the higher the e-commerce potential would be.

Factoring in all numbers and variables for Europe, UK ranked first in our 'country-attractiveness' scoring model, while Ukraine scored last. Yet Portugal (7<sup>th</sup> place) was picked. Demand-wise, e-Commerce is still quite underdeveloped as the Portuguese are amongst those

that most search online for products but end up buying in physical stores (Hipersuper, 2014). However, supply-wise, things look brighter. The lack of players (only Continente, Auchan and El-Corte Inglés) and the fact that historically the entrance of a new e-grocers has caused total online spending to grow, are sure enough promises that there is room for a new player.

Regarding the recommendations that followed, they too are two-fold. The first one consisted on a simple pyramid showing how entry might be differentiated in ‘Established’ countries vs. ‘Emerging’ ones. In the former, supply scores signaled that ‘piggy-backing’ existing structures is a possibility. In the latter, complicated cultures might require the help of those familiar with it. Still, differences were minimal, basically enforcing that ‘partnering up’ with a local player when entering any unknown economy is often a good premise.

The second suggestion only came after noticing the high supply scores in the Portuguese market. As it became clear that there was room for new players, our project gained its third and last component: a ‘tool’ for convincing one of Daymon’s clients – Pingo Doce - to create a web-storefront. Our new proposal encompassed three main aspects: the emotional appeal, the operational and financial part, and a measurable action plan to go along with them.

#### Main Limitations of the Approach Used

The model built in excel was rather easy to understand. Categories were well divided, weights were loosely agreed upon, and scores seemed reasonable. However, four major limitations derived from its’ structure:

- i. Lacked depth on values for online grocery, focusing more on offline ones;
- ii. Future trends, relating to when the actual investment would take place, were given a secondary role;
- iii. Existing supply was downplayed in rating ‘attractiveness’, when current market structure is determinant to define if there is room for new players. Also, ‘supplier’s bargaining power’ was completely excluded as information was not available;
- iv. Demand was heavily focused upon, yet some crucial factors determining the acceptance of new online retail players like ‘brand loyalty’ and satisfaction were left out as they are either extremely hard to measure or data is not available.

As for the pyramid of recommendations, they were made for a hypothetical player entering any country. Not knowing the internal characteristics or the specific country made confirming entry possibilities hard. Recommendations became too general and were mostly based on information from an interview to an experienced online brand director.

However, the truly relevant part was what we called the ‘convincing strategy’. The action plan developed in such a short time seemed promising and, more importantly, implementable. It covered several important aspects and included everything from delivery schedules and routes, to financial forecasting and CRM initiatives, to be trialed in the Lisbon area. But it lacked one major puzzle piece: how will Pingo Doce communicate this move?

### Changing ‘Attractiveness’ and Finding a Way to Tell Everyone About it

Despite both the scoring model and the recommendations plan being very well received by Daymon, several improvements could have been made to overcome the previously mentioned ‘limitations’. The amendments will be discussed in more detail next.

#### *Changing ‘Attractiveness’*

In an attempt to refine the country-scoring model, extra ‘attractiveness’ criteria were added and weights were readjusted in a manner that addresses specifically the limitations found.

Firstly, it had been highlighted that the model focused too heavily on offline values. To change this, more online measures were added. ‘Food and Drink E-Sales’ was added under Current and also Future Trends, ‘Food and Drink E-Sales Growth’ was added under Future trends, and the number of ‘Retail Websites Selling Grocery Online’ was added to a new category called ‘Online Offer’ under Supply.

Secondly, to tackle the low preponderance given to the sub-category of Future Trends, existing criteria was refined, new ones were added to the section, and it’s weight was readjusted to 25% (previously 20%). New categories include: ‘GDP Average Yearly Growth’ (over five years instead of the one year growth rate used previously); ‘Grocery Sales Growth’; and the ‘Food and Drink E-Sales’ and ‘Food and Drink E-Sales Growth’ mentioned above. ‘E-Retail Sales’ also replaced ‘E-Retail Sales Growth’ as values in some ‘Emerging’ countries were starting from such a small base that their growth percentages were heavily skewing results, despite the real sales values being quite normal.

Thirdly, the main category of Supply was also granted a 7% rise in weight to 30%, 3% of which was added to Market Fragmentation. The importance of market saturation was further highlighted by the creation of the section ‘Number of Outlets per million inhabitants’ under the Supply’s Offline Offer. This, together with the Online Offer section changes, should emphasize the assumption that the higher the supply of physical or online stores, the narrower



the gap between itself and demand and so the lesser the need for a new online solution.

In the end, all of these were important amendments to reflect the knowledge that players will only enter new markets if these have good growth prospects in all areas (online and offline, economically and retail-wise) and if the market is not yet saturated. Consumers will also be more willing to adhere to new offers, the more they trust the online means.

After minor alterations to other criteria's weights, the total impact of the changes was obtained. Despite the differences from the previous model not being extreme, the results were definitely refined and it was enough to shift some country's final positions. UK became slightly less 'attractive' but remained a solid 1<sup>st</sup> and France swapped positions with Germany that is now in 3<sup>rd</sup>. The least attractive country is still Ukraine. Portugal remained in the 7<sup>th</sup> spot with a clearer leading supply score that signals the need for better offers (see Appendices 3 and 4 for the new distribution of weights and the new scores and ranking).

Unfortunately, it was not possible to incorporate data like a personalized 'shopper's profile' in each country's score which could have altered significantly the results. The model will thus always lack in this 'people' aspect. With more time and more access to statistical data, a possible way to tackle this shortfall would be to research country demographics, divide shoppers by age categories (i.e. teens, young adults, adults, and retirees), rating them by average spending levels and then researching their routines, their explicit demands and the means by which they shop and pay. Information on suppliers would also be valuable.

### *Telling Everyone About it – the Advantages of Going Digital*

After confirming that there is a need for online players in Portugal and after realizing that the existing offers' little promotion is a major factor hampering sales, creating a marketing strategy to raise awareness for Pingo Doce's Online store is of the utmost importance.

With the analogue world becoming an ever-growing digital paradise, and the aggressive pricing policies constantly limiting marketing budgets, what better way to promote your site than using a cost-effective digital marketing approach?

An example of a powerful online promotional tool is display networks. Tools like Google AdWords have mechanisms that allow one to advertise in the exact sites their potential customers are. For larger entities wanting to create awareness or to increase sales, Cost-per-Thousand Impressions (CPM) or Cost-per-Acquisition (CPA) is a better fit than Cost-per-Click (CPC). Prices are made to reflect the likelihood of conversion and free conversion

tracking tools producing analytics for optimized sales and display times are made available.

Globally, the use of email is trending up to reach a volume of 4.3 billion by 2016 with customers being drowned in 9000 B2C emails annually (Lyris, 2012). Social sites like Facebook and YouTube confirm they have, respectively, 1.28 billion and 1 billion monthly active users with a mobile penetration of 80% and 40%, and reaching more 18-to-34 year-olds than any cable network. Consequently, companies are abandoning the expensive use of cable advertising and adhering to new sales concepts like F-Commerce (Ente, 2011) (i.e. BestBuy and Amazon).

In Portugal, according to Euromonitor (2014), regular Internet usage is at par with Europe at a 67% penetration level while mobile Internet adoption lags behind at 29%. Portuguese are avid consumers of online social media, with businesses and politicians maintaining a strong presence on social networks. Facebook is the most popular platform in the country, with a penetration of nearly half of the population (4.7 million users) according to Socialbakers. And, for online media, YouTube is a clear winner, ranked fourth most visited by Alexa. Twitter did not make the cut.

*Ground Rules For a Profitable Digital Marketing Strategy: it is all in the Metrics*

According to a paper published by Deloitte University Press (Conroy, 2014), the first step to overcome digital challenges and become a leader in this area is creating a clear vision and strategy that spans coherently across e-commerce and brick-and-mortar channels.

Before launching the e-Storefront, executives should be able to answer several questions, including: what are their aspirations, which channels will they tackle (i.e. mobile, tablet, internet, TV), what will differentiate them from the competition, how does their customer behave online and what resources do they have in-house to define their starting point.

After deciding to venture online, the company must measure everything. E-Marketing can be split into three distinct phases: (1) awareness, (2) engagement, and (3) conversion (Bernardo, 2013), that clients trickle down in a manner analogous to a funnel (see Appendix 5). Companies that track all moves and their clients' consequent actions will be able to build business intelligence and learn from their past to echo successes and avoid repeated mistakes.

Digital marketing should thus be holistic, tracking pre-sale touch point and post-sale interactions. And awareness can be optimized online by being present in as many channels as possible and using Search Engine Optimization (SEO), Search Engine Marketing (SEM),

social networks and e-mail. SEO is free but implies constantly updating the platform and creating site popularity by mentioning it in other ones. SEM is harvested through the previously mentioned paid display networks. Measuring how much traffic is coming from each source, at what times, and driven by which key words, will enable one to better allocate financial resources and to produce relevant traffic for their sites, decreasing bounce rates.

Engagement can be measured by number of followers and ‘shares’ on social networks that indicate what people enjoy. E-mail open rates, forwarding levels, spam complaints and unsubscribe requests are other relevant metrics. Site and content quality as well as offer quality and persuasion will be determinant in keeping buyers inside one’s funnel at this point.

Conversion rate, the final and most important metric for sellers, represents 1 to 5% of your website visitors (Blaze). It is the result of previous phases net of those customers that abandoned the shopping cart due to conversion hurdles. For the other 95% that leave a site without making a transaction, re-targeting with a relevant ad increases the chances of completing a purchase by 70% (Cross, 2013).

In other words, gauging where your costumers are exiting the purchasing funnel and then ensuring long-term success will depend on the quality and quantity of the metrics used.

### *Building Pingo Doce’s Digital Strategy*

Making use of all the insights, and knowing that Pingo Doce’s (PD) main objective is to increase sales and awareness with little investment, a clear strategy emerges.

To know how much daily visits the site would get in an initial moment, values retrieved from an interview to the closest Portuguese competitor - Continente Online - were used, as popularity of their site is still low and they too lack an official Facebook page. Daily, Continente receives circa 1000 online orders. If we assume they enjoy the 5% conversion rate mentioned, and knowing that two-thirds of this comes from people in the Lisbon area, we can state that they are getting an average of 13 333 daily visits and 666 conversions from people in Lisbon. Based on their online market share (41.4%) and the online grocery market’s size (€96.6M), each purchase should be around €110 euros.

Our Business Project calculations (Appendix 6) showed that PD will enjoy a slightly higher market share of 42.8% if they enter the e-retail and would thus have, *ceteris paribus*, 688 orders and 13 760 daily site-visits from within Lisbon. Nevertheless, these figures are made possible with little marketing and can improve significantly on a budget, as follows.

Again, the first step is creating awareness. And multi-channel presence is gold. Google's site ranks first most visited in Portugal (Alexa), so Google AdWords is essential. A budget of a few thousand should be enough to cover many thousands of browsers in the Lisbon area. Split-testing different wordings and timings and accounting CTR and conversion rates will enable PD to refine ads until optimum levels are reached.

For increasing both awareness and engagement Facebook must not be forgotten. LIDL, a hard-discounter with no online store, has a page with 472,240 fans; about 34 times more people than the predicted volume of visits to PD's new site. If PD made interesting daily posts on Facebook that would cause even 1% of these fans to click on their site link, that would mean 4722 new visits and a possible 236 new conversions. Everyday. For free.

Also, important with regards to engagement is e-mail marketing and the actual website. The first is already being done by the means of promotional newsletter. As for sites, the landing page should be attractive, de-cluttered and appropriate, to reduce bounce rates and improve the free SEO.

Additionally, 58% of converted shoppers say they regularly leave the grocery store without at least one of the items they wanted (Daymon, 2013). To avoid this happening online too, the site must have a search box, 'breadcrumbs' and a heat-map installed. A search box will allow customers to look for items they cannot find and will let PD know what is not being displayed well enough. 'Breadcrumbs' will keep clients from getting lost in the shopping process and will let the impatient ones know how many steps remain to finalize the purchase. Finally, heat-maps can be used to know where people are clicking and looking at the most (Shaw, 2011). In these 'popular' areas, message boxes can be programmed to appear before a customer checks-out asking: 'have you forgotten to buy any of these items...?'

When a certain page stops converting, PD must compare key words used in competitors' offers and have the over 13,000 non-converted customers exiting the site be re-targeted with strategically located and relevant ads to increase their buying chances by 70% - possible 9100 extra sales in seconds. Task force requirements are already included in the platform costs.

All in all, increased price competition has fueled an economy where customers are lost for mere cents. Having a flawless, constantly monitored and updated site, and being social where the customers' like to be social is more than halfway to improve conversion rates, up from 5%, increase the total amount spent, and be profitable for a proportionately very low investment.

## **Reflection on learning:**

### Keeping the Old and In With the New: A Cumulative Learning Experience

As soon as the project evolved into the Country Scoring Model, useful components of our Strategy classes began to surface (i.e. Porter's Five-Forces industry analysis). E-commerce and digital marketing was an obvious aid to this individual part of the project, due to all the model taught in class like the online purchasing funnel as well as the teacher's personal experience in selling online and optimizing the website's content

Brand management classes were also very useful when constructing a marketing plan. The notions of customer loyalty and how to provoke their entry into a 'loyalty loop' allowed our recommendations to become more realistic, following all the steps of advocacy, influence, commitment, incentive and connection. Our invented concept 'vimília' touched all the points and made considerable success amongst the Daymon jury.

The preparation of both the Business and Work Project yielded some very interesting, practical insights. It reminded me of the importance of future trends over current ones and how the customer is king, as in the end it is he who has the money and decides to buy or not. Also, the information gathered on developing economies such as Ukraine and Turkey was went beyond my imagination, having realized that these countries too might bring many opportunities for international companies trying to enter the on and offline market.

The valuable, consultant-like input of Professor Constança Casquinho was extremely enriching. The incentive to train the 'so what?' reasoning in every piece of information presented had the group always thinking a step ahead. Other presentation advices shared and the explanation of McKinsey's 'pyramid principal' were very productive, as we fast learned a better and more professional way to structure and communicate our thoughts for everyone to understand. The Belbin grid was also an interesting way to learn more about how we work within a team. Tools I will definitely carry on to my personal and future professional life.

### Personal experience

Being part of the same team for four months in a row was definitely demanding from a single-child's perspective. It was an upgrade to regular group work and required much more people skills to avoid lasting, prejudicial resentment and build morale. However, the long time allowed synergies to be created as the team moved through a learning curve of each other's capabilities and shortcomings. As time passed, trust was built, cultural differences

became less relevant and our communication improved. We became friends.

As for my contribution to the end-result and my strengths, I can say I take pride in having been consistent and committed. I was always ready to help others and never skipped a meeting. I also realized I am a good ‘finisher’, having been assigned most times the task of revising other’s work and joining all the pieces together to form a perfect, coherent puzzle. Feedback from colleagues pointed out my honesty, reliability and motivation. I frequently shared my unbiased and sincere opinions and was always keen to boost team morale with relaxed working-get-together’s.

However, I realize I am not flawless. My biggest weakness would have to be the disproportionate attention I devote to small details that are secondary, compared to the time devoted looking at the bigger picture. A possible plan for development would include asking myself ‘so what?’ even more often to be ‘freed’ from details and drawn into the bigger picture. I will attempt to prompt this question every time I spend more than 20 minutes in the same topic.

#### Benefit of Hindsight

In all truth there is little I would have done differently and I am extremely satisfied with the final Business Project.

Ideally, more time would have been appointed to rehearsing presentations and proof read slides. Also, more feedback sessions should have been made in the beginning to ensure everyone was working at their full potential and leveraging their ‘strengths’, something that happened slightly later. Had we given more time to structure our thoughts and approaches, time would have been saved in ensuring everyone was at the same level of understanding.

Finally, I believe what added most value was our mix of personalities that ended up meshing so well. Our cultures brought different competencies to the table. The methods we learnt from each other like having meeting minutes written down for each reunion were extremely productive. Even if someone missed a meeting, they would know what was happening and no one arrived home with doubts on what exactly they had to deliver. This is something I will carry on doing. Additionally, the talks with field experts were invaluable. They produced insights that would not have been found anywhere else and that can be applied throughout life. For that, I thank you all of those that devoted them time to participate once more.

## Glossary

**Bounce rate:** is an Internet marketing term used in web traffic analysis. It represents the percentage of visitors who enter the site and "bounce" (leave the site) rather than continue viewing other pages within the same site.

**Breadcrumbs:** (also breadcrumb trail) is a navigation aid used in user interfaces. It allows users to keep track of their locations within programs or documents.

**Click-through rate (CTR):** is one of the ways used to measuring the success of an online advertising campaign for a particular website as well as the effectiveness of an email campaign by the number of users that clicked on a specific link.

**Cost-per-acquisition (CPA):** Paid when your ad leads to a sale or conversion on one's site. Ideal when the end goal is sales, email sign-ups, or other online transactions. One sets a target CPA - the amount you want to pay for each conversion - and the Conversion Optimizer places ads in the auctions most likely to lead to conversions.

**Cost-per-click (CPC):** Only paid when someone clicks on your ad to visit your website. One can set their own bids or choose automatic CPC bidding and let Google technology find the most clicks possible within one's budget. Most common method used to advertise on search engines.

**Cost-per-thousand impressions (CPM):** Paid each time your ad appears. For when you want your ad to be seen as often as possible by your target audience, and do not care so much about clicks. Bid per one thousand views: a CPM of \$10.00 means one cent is paid each time the ad is displayed ( $\$.01 \times 1,000 = \$10.00$ ).

**Search Engine Marketing (SEM)** is the process of promoting and marketing a website through paid listings (advertisements) on search engines (i.e. AdWords).

**Search Engine Optimization (SEO)** The process of improving the visibility of a website or a web page in a search engine's "natural" or unpaid search results.

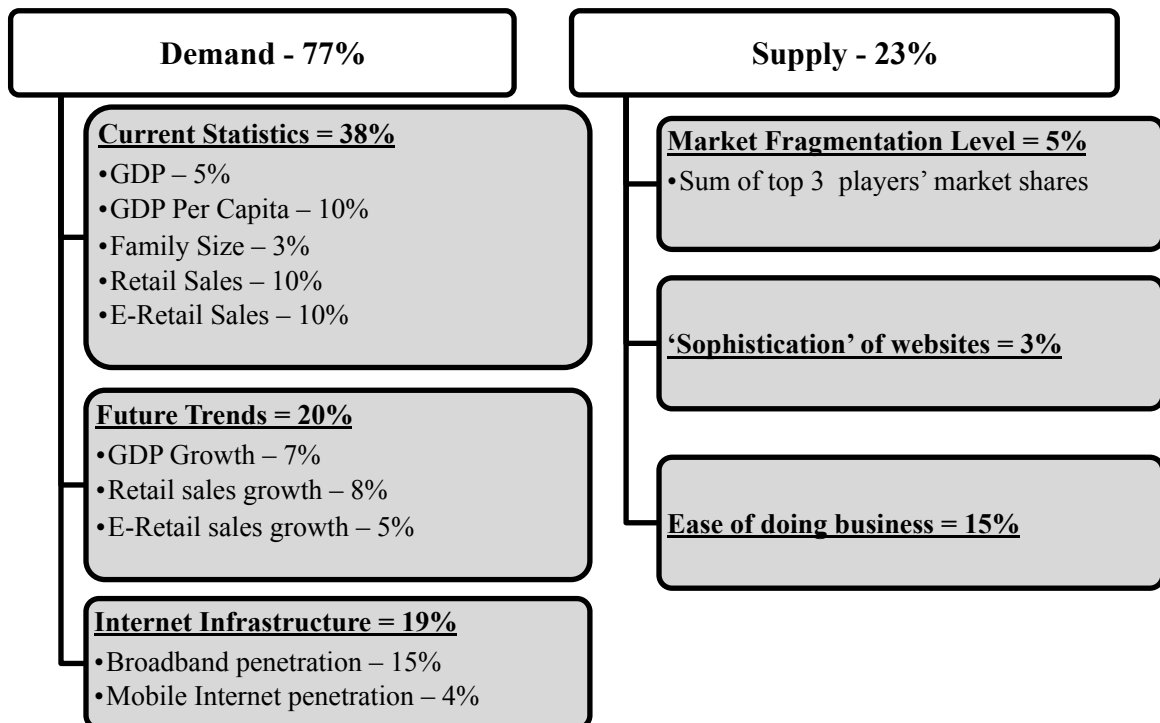
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## Appendices

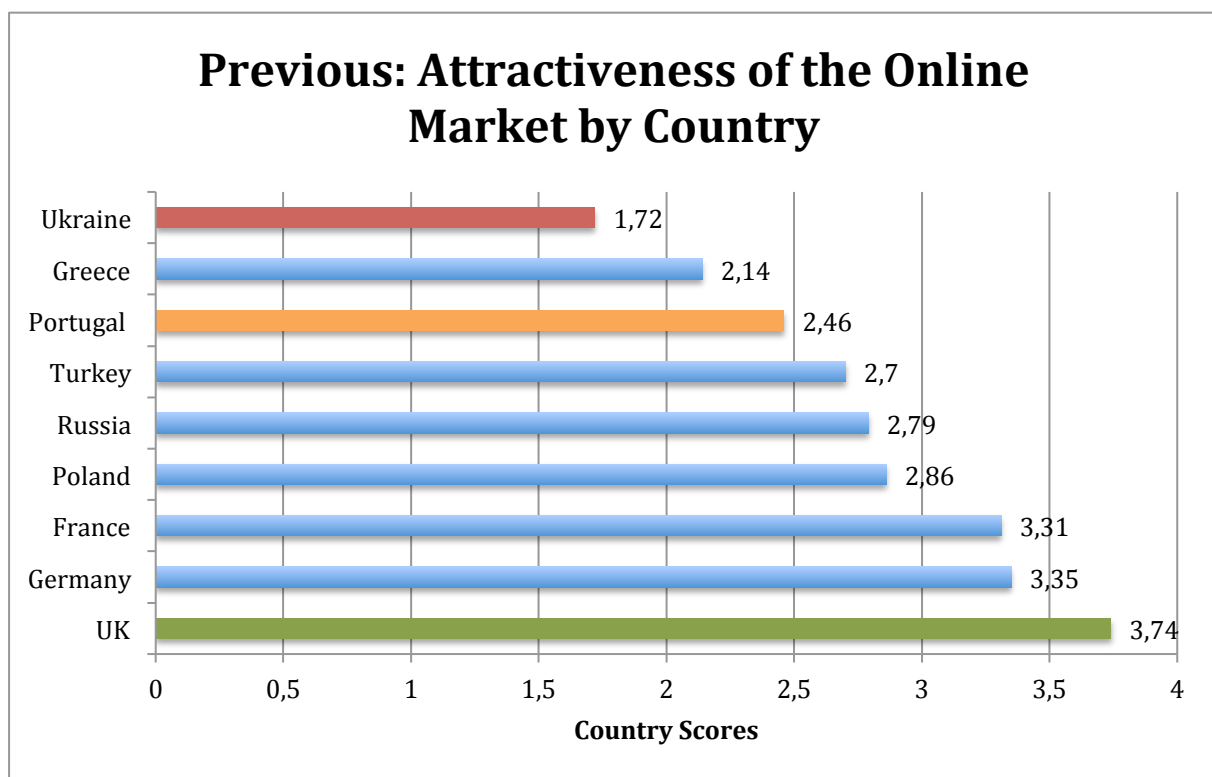
### Appendix 1: Initial Scoring Model's Weight Breakdown



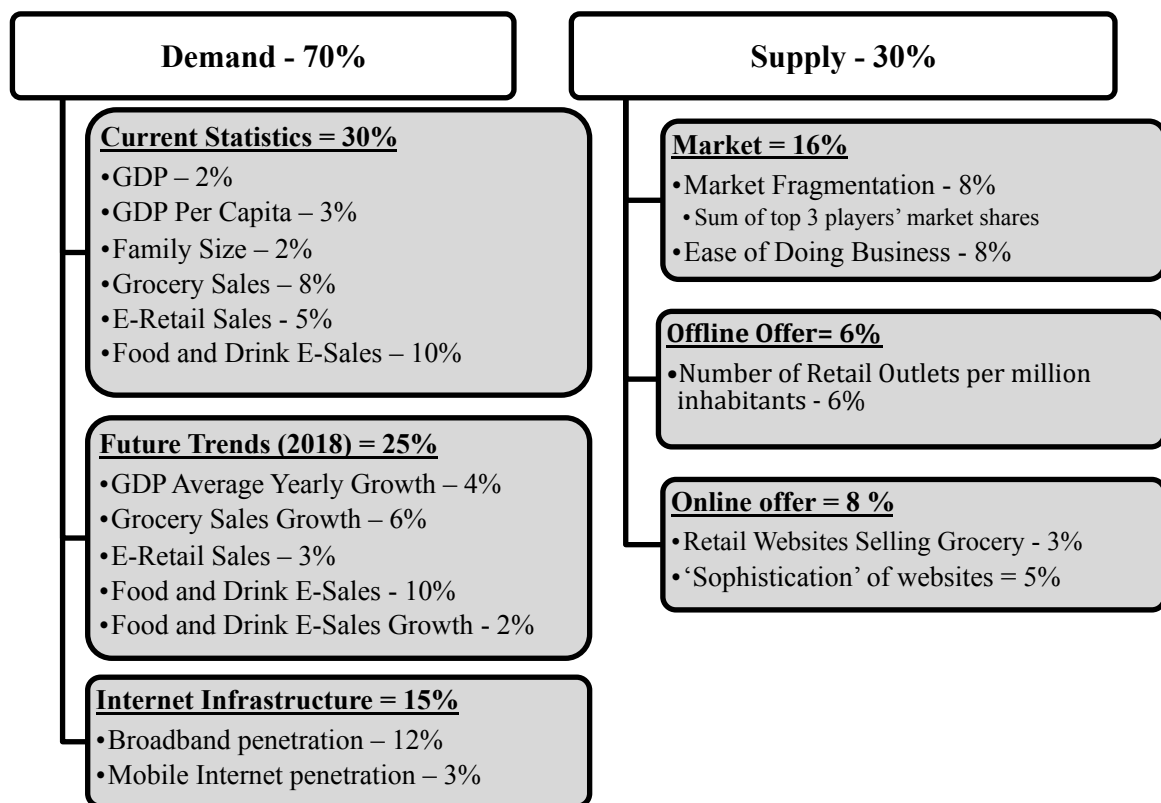
Appendix 2: Initial Scoring Model's Results

	France	Germany	UK	Portugal	Poland	Russia	Ukraine	Greece	Turkey
<b>Demand</b>									
Current values (2013)									
GDP \$ bn	2273	3227	2378	243,3	814	2553	337,4	266	1167
GDP converting in €	1659,29	2355,71	1735,94	177,609	594,22	1863,69	246,302	194,18	851,91
GDP rating	4	5	5	1	3	5	1	1	3
GDP per capita	35700	39500	37300	22900	21100	18100	7400	22600	15300
	26061	28835	27229	16717	15403	13213	5402	16498	11169
GDP capita rating	5	5	5	3	3	2	1	3	2
Ave Family Size	2,2	2	2,3	2,6	2,7	2,6	2,3	2,7	3,7
Family size rating	1	1	1	3	3	3	2	3	5
Retail Sales	214 963,20	193 765,80	190 248,40	19 834,00	42 438,50	168 395,80	18 279,80	18 383,80	70 705,50
Retail sales rating	3	3	3	1	1	3	1	1	2
e-Retail Sales	22 702,60	26 536,40	41 529,98	540,00	4 024,80	9 348,69	865,95	890,60	1 788,60
e-Retail sales rating	2	3	5	1	1	1	1	1	1
<b>Future trends (2017)</b>									
GDP growth	0,20%	0,50%	1,40%	-1,80%	1,30%	1,30%	0,40%	-4,20%	3,80%
Retail sales growth	1	1	3	1	3	3	1	1	5
Rating retail sales growth	5,8	4,8	2,2	-5,8	3,8	25,9	29,1	-8,5	11,2
% of this growth that comes from grocery									
e-Retail sales growth (2017)	38,7	31,5	42	51	53	60	46,4	53	56,6
e-Retail sales growth rating	84,6	85	28,3	82,7	79,7	94,5	138,9	107,2	114,9
Broadband penetration	85	85,2	88,7	67,1	67,6	57,3	37,5	58,8	47,4
Broadband penetration ranking	5	5	5	4	4	3	1	3	2
Mobile Internet penetration	58,2	32,5	49,7	29,3	50,1	35,3	4,8	46,4	12,2
Mobile Internet penetration rating	5	3	4	3	5	4	1	5	2
Sub-Total	2,6	2,6	2,9	1,7	2,1	2,3	1,3	1,6	1,9
<b>Supply</b>									
Market Frag (% top 3 players)	31%	38%	49%	33%	27%	14%	14%	18%	7%
Market fragmentation ranking	2	1	1	2	2	4	4	3	5
Ease of doing business	35	19	11	29	48	111	140	89	72
Ease of doing business	4	5	5	4	4	1	1	2	3
Web site user-friendliness	2	3	1	4	4	5	4	4	3
Sub-Total	0,75	0,875	0,825	0,8	0,8	0,475	0,45	0,55	0,775
Total	3,31	3,51	3,74	2,46	2,86	2,79	1,72	2,14	2,70

Appendix 2 (Continued): Initial Country Ranking



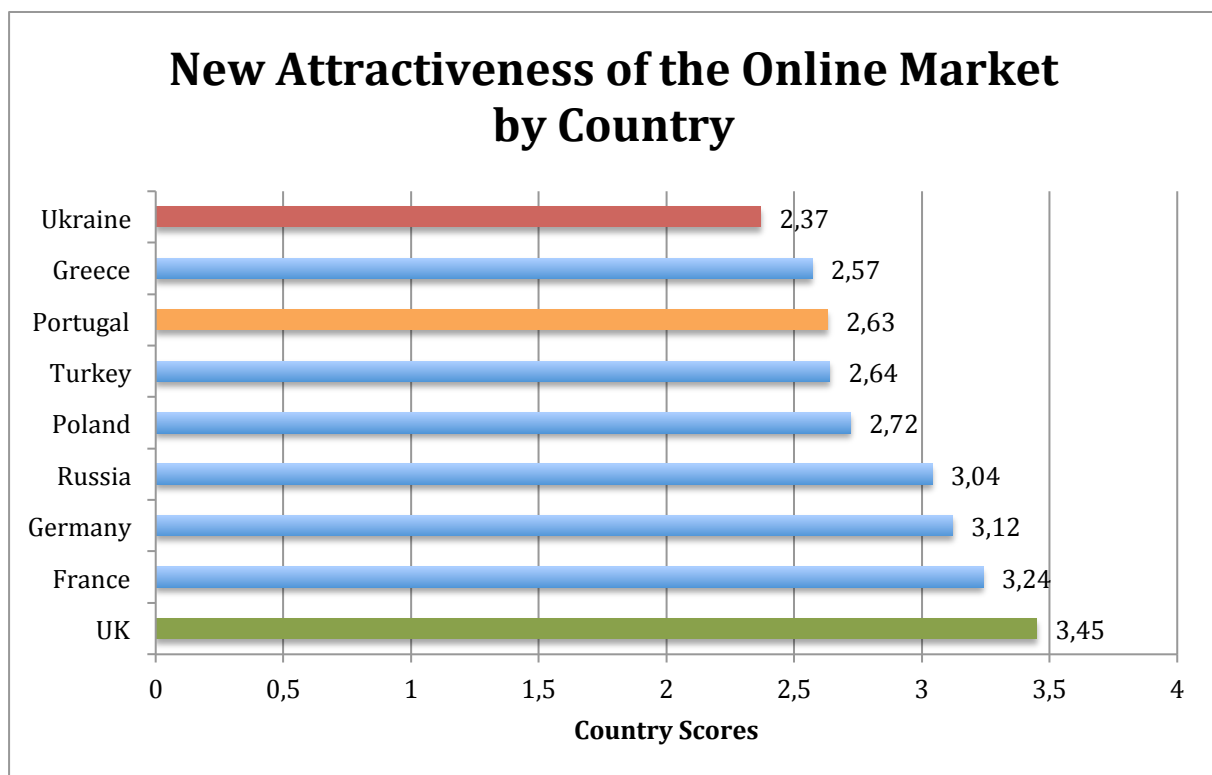
Appendix 3: New Scoring Model's Weight Breakdown



Appendix 4: New Scoring Model's Results

		France	Germany	UK	Portugal	Poland	Russia	Ukraine	Greece	Turkey	Source
<b>Current values 2013</b> retrieved 19/05/2014	<b>Demand</b>										
	Real GDP (€mm)	2 059 852,00	2 737 600,00	1 899 356,90	165 666,30	389 784,30	1 578 726,90	137 094,90	182 054,10	617 103,40	Euromonitor
	GDP per capita (€)	32 281,80	33 450,40	29 729,50	15 585,50	10 115,50	11 010,20	3 021,50	16 456,90	8 165,70	Euromonitor
	Average Family Size	2,2	2,2	2,3	2,6	2,7	2,6	2,3	2,7	3,7	Euromonitor
	Grocery Sales (€mm)	214 963,20	193 765,80	183 973,50	19 832,90	41 894,40	202 418,80	22 057,50	18 382,70	86 025,90	Euromonitor
	e-Retail Sales (€mm)	22 702,60	26 536,40	40 126,30	540,00	3 964,00	11 233,60	1 242,70	890,50	2 184,60	Euromonitor
	Food and Drink e-Sales (€mm)	2 887,80	576,10	5 391,40	84,50	56,10	345,80	101,50	1,20	55,10	Euromonitor
	<b>Future trends 2018</b>										
	GDP Average Yearly Growth (% growth 2013-2018)	1,10%	1,30%	2,10%	1,20%	3,10%	2,10%	1,70%	1,20%	4,70%	Euromonitor
	Grocery sales growth (% growth 2013-2018)	14,0%	13,0%	13,0%	5,0%	23,0%	61,0%	67,0%	2,0%	19,0%	Euromonitor
e-Retail Sales (2018 values)	46 573,40	54 615,70	56 764,00	1 080,00	8 446,00	28 299,60	3 870,00	3 870,00	5 828,80	Euromonitor	
Food and Drink E-sales (% growth 2013-2018)	4	1 610,10	7 460,60	169,20	104,30	1 078,30	261,70	10,00	101,00	Euromonitor	
Food and Drink E-sales Growth	43%	179%	38%	86%	100%	212%	156%	733%	83%	Euromonitor	
<b>WWW Infrastructure</b>											
Broadband penetration (%population)	85	85,2	88,7	67,1	67,6	57,3	37,5	58,8	47,4	Euromonitor	
Mobile Internet penetration (% mobile internet to mobile phone subscriptions)	3	58,2	32,5	49,7	29,3	50,1	35,3	4,8	46,4	Euromonitor	
<b>Market</b>											
Sub-Total		2,5	2,3	2,7	1,6	1,8	2,1	1,3	1,6	1,6	
<b>Supply</b>											
Market Fragmentation (% Top 3 players added)	8%	31%	38%	49%	33%	27%	14%	14%	18%	7%	Euromonitor
Ease of doing business	8%	35	19	11	29	48	111	140	89	72	Euromonitor
# Retail Outlets per Mh Inhabitants	6%	450	467	484	176	477	103	40	172	165	Planet Retail
Grocery websites selling online	3%	9	7	7	3	3	2	2	3	2	Planet Retail
Web site user-friendliness	5%	Very Good	Average	Excellent	Poor	Poor	Very Poor	Poor	Poor	Average	Group
30%	2	3	1	4	4	4	5	4	4	3	
100%	0,73	0,84	0,74	1,07	0,95	0,98	1,05	0,99	1,06	1,06	
Sub-Total		3,24	3,12	3,45	2,63	2,72	3,04	2,37	2,57	2,64	

Appendix 4 (Continued): New Country Ranking



Appendix 4 (Continued): Retrieved Data for New Model

Food & Drink e-Sales 2013			e-Retail Sales 2013				
	€mn	Score		€mn	Score		
1	United Kingdom	5 391,4	5	1	United Kingdom	40 126,3	5
2	France	2 887,8	4	2	Germany	26 536,4	3
3	Germany	576,1	2	3	France	22 702,6	2
4	Russia	345,8	2	4	Russia	11 233,6	1
5	Ukraine	101,5	1	5	Poland	3 964,0	1
6	Portugal	84,5	1	6	Turkey	2 184,6	1
7	Poland	56,1	1	7	Ukraine	1 242,7	1
8	Turkey	55,1	1	8	Greece	890,5	1
9	Greece	1,2	1	9	Portugal	540,0	

Food & Drink e-Sales 2018			e-Retail Sales 2018				
	€mn	Score		€mn	Score		
1	United Kingdom	7 460,6	5	1	United Kingdom	56 764,0	5
2	France	4 118,6	4	2	Germany	54 615,7	5
3	Germany	1 610,1	2	3	France	46 573,4	5
4	Russia	1 078,3	2	4	Russia	28 299,6	3
5	Ukraine	261,7	1	5	Poland	8 446,0	1
6	Portugal	169,2	1	6	Turkey	5 828,8	1
7	Poland	104,3	1	7	Ukraine	3 870,0	1
8	Turkey	101,0	1	8	Greece	1 972,6	1
9	Greece	10,0	1	9	Portugal	1 060,7	1

Food & Drink e-Sales Growth			Outlets/ mn inhabitants (2013)				
	('13-'18)	Score		#	Score		
1	Greece	733%	5	1	UK	484	2
2	Russia	212%	3	2	Poland	477	2
3	Germany	179%	2	3	Germany	467	2
4	Ukraine	158%	2	4	France	450	2
5	Portugal	100%	2	5	Portugal	176	4
6	Poland	86%	1	6	Greece	172	4
7	Turkey	83%	1	7	Turkey	165	4
8	France	43%	1	8	Russia	103	4
9	United Kingdom	38%	1	9	Ukraine	40	5

2013 Grocery Retail Sales			Grocery sales growth				
	€mn	Score		('13-'18)	Score		
1	France	214 963,2	5	1	Ukraine	67%	5
2	Russia	202 418,8	5	2	Russia	61%	4
3	Germany	193 765,8	4	3	Poland	23%	2
4	United Kingdom	183 973,5	4	4	Turkey	19%	2
5	Turkey	86 025,9	2	5	France	14%	2
6	Poland	41 894,4	1	6	Germany	13%	1
7	Ukraine	22 057,5	1	7	United Kingdom	13%	1
8	Portugal	19 832,9	1	8	Portugal	5%	1
9	Greece	18 382,7	1	9	Greece	2%	1

Appendix 5: The Purchasing Funnel



Source: blaze.wz



Appendix 6: Business Project Market Share Calculations

2008 Growth Numbers (Online Grocery Market)	
Projected Growth	22,60%
Actual Growth	143,37%
Actual Market Size (in €M Sales)	229,8
Projected Continente Share (in €M Sales)	16,91
Actual Continente Share (in €M Sales)	15,86
Residual Market Share Taken by New Entrants (in €M Sales)	1,05
% of Actual Market Share taken by New Entrants from Existing Players	<b>6,23%</b>
% of Online Market Share Increase per Brick-and-Mortar Market Share of New Entrants	
Total Online Grocery Market in 2008 (in €M Sales)	33,55
Actual Continente Share (in €M Sales)	15,86
Residual Market Share Taken by New Entrants (in €M Sales)	1,05
Residual Effect of Entry (in €M Sales)	16,64
% of Growth Attributed to New Entrants	49,60%
Total Brick-and-Mortar Relative Market Share of New Entrants (%)	52,74%
Impact of Each Brick-and-Mortar % Point upon Online Market Entry	<b>0,94</b>
Estimated Increase Brought About in 2014 Should Pingo Doce Enter Using Historical Data	
Projected Online Market Size (in €M Sales)	111,55
Projected Sales Taken from Incumbents (5% of Total)	5,58
Pingo Doce Relative Brick-and-Mortar Market Share	42,34%
Impact of Each Brick-and-Mortar % Point upon Online Market Entry	0,94
Expected % Growth Due to Pingo Doce Market Entry	39,82%
Projected Online Market Size with Pingo Doce (in €M Sales)	185,37
Sales Attributed to Pingo Doce Entry (in €M)	73,82
Plus: Absorbed Sales from Incumbents (in €M)	5,58
Total Pingo Doce Market Share (in €M Sales)	79,4
Total Pingo Doce Market Share (%) in an Optimistic Scenario	<b>42,83%</b>

Source: Calculations based on Euromonitor data