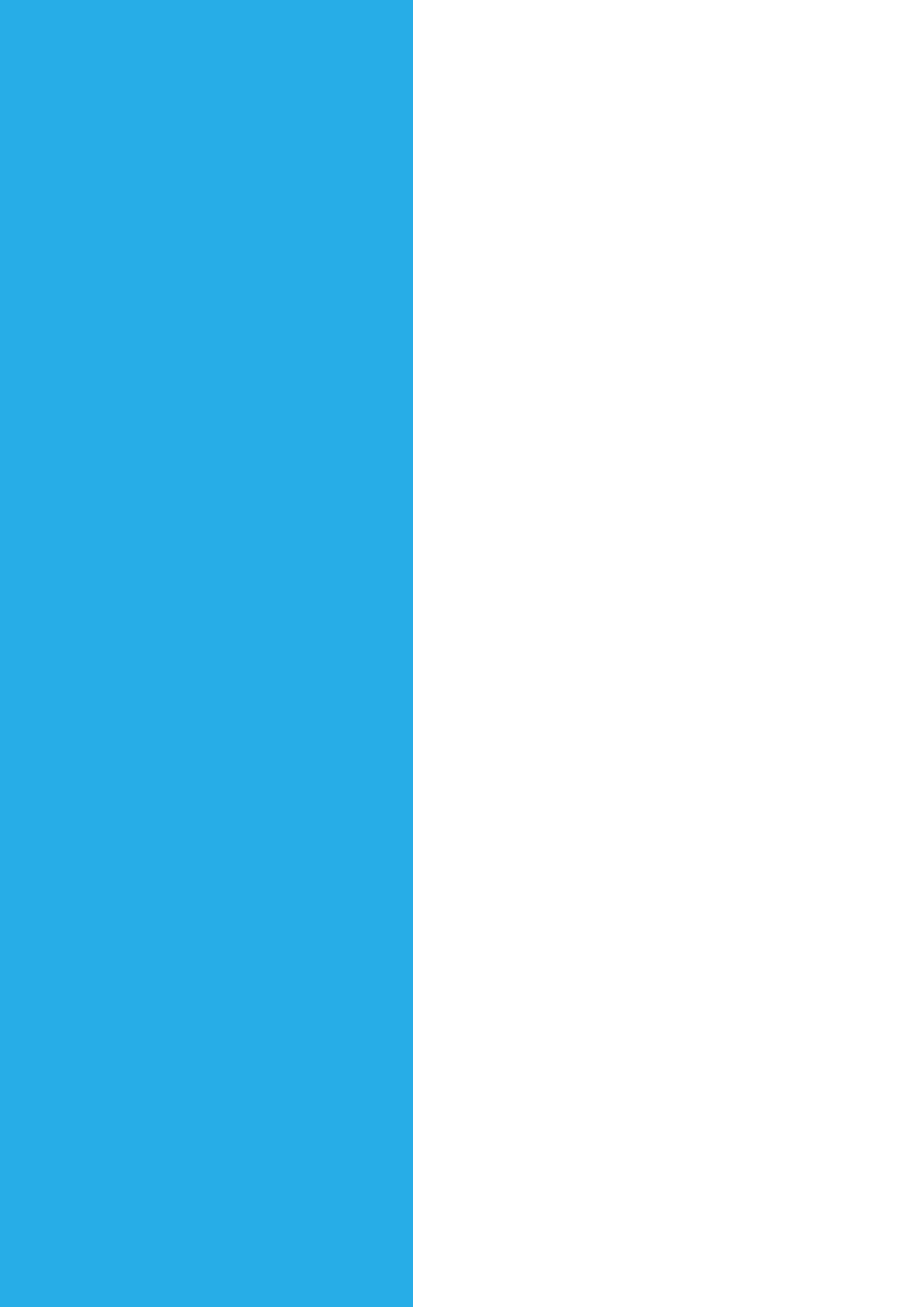


Digital Poles – e-revolution accelerates





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Preface

Digital Poles – e-revolution accelerates is McKinsey's latest contribution to the debate on the development of the Polish economy in the age of digitization. The new study develops ideas that we presented in our earlier reports *Digital Poland*, *Digital Poles – Consumers in a time of e-revolution*, *Poland 2025: Europe's new growth engine*, *5 opportunities for Poland*, *The AI revolution* and *Shoulder to shoulder with robots: Tapping the potential of automation in Poland*.

The “digital Poles” of the title are people aged 15-64 who use the Internet on a daily basis at home or at work. Our findings about this group from the 2016 Digital Poles survey inspired us to continue with our detailed analysis of the impact of digitization on Polish consumers. In the current study we present an in-depth analysis not only of the key habits and trends among representatives of this group, but also of how they have changed over the past two years. These changes have enormous consequences for various branches of industry, be it e-commerce, telecommunications, the media or personal finance.

We would like to take this opportunity to thank three individuals in particular for their inspiration and support with the contents of this report: Daniel Boniecki, Senior Partner at McKinsey & Company and leader of the Telecommunications, Media and Technology Practice in more than 100 countries in Central and Eastern Europe, the Middle East and Africa; Marcin Purta, Managing Partner of McKinsey & Company in Poland; and Wojtek Bogdan, leader of the Consumer Packaged Goods and Retail Practices in Central and Eastern Europe. The work on this report was led by Wojciech Krok, Partner at McKinsey & Company, together with a team consisting of Jakub Stefański, Manager, Marcin Nowakowski, Senior Consultant, and Joanna Iszkowska, Communications Manager.

We are also grateful for the contributions made by a large number of our colleagues, especially Norbert Biedrzycki, Michał Borowik, Zuzanna Dębowska, Grigoriy Grigoriev, Jarosław Kempczyński, Franciszek Kryt, Wojciech Kudaś, Emilia Laszczka, Dorota Machaj, Anna Muszkiewicz, Aleksander Pernach, Anna Piotrowicz, Oskar Sokoliński, Anna Spyrzyńska and Milena Tkaczyk.



Summary

In our 2016 report *Digital Poles – Consumers in a time of e-revolution* we described the impact of ongoing digitization on the lives of Poles, looking at the key trends and habits of this segment. We investigated the behavior of people aged 15-64 who had access to the Internet and asked them about their opinions. On this basis we then determined what trends were taking place in the e-revolution among Polish consumers and presented their consequences for business.¹

The behavior and habits of Poles are changing rapidly with regard to their use of new technology and digital solutions. For the purposes of this year's study, we repeated our in-depth survey of 1,500 people. We found that digital Poles are using online technology solutions more and more often, and that digital solutions are an increasingly important part of their lives.²

The group examined in this year's survey, as in 2016, was very diverse. For this reason we created six profiles of digital Poles that illustrate key differences in their behavior.³ In this year's study, one of the profiles – ***Digital Omnivores*** – stands out in particular. These individuals enjoy buying gadgets and trying out the latest technology, and they have the money to do so. The share of digital Poles in this segment grew by 20 percentage points over the past two years, to its current level of 43%. There were two reasons for this:

- The number of Poles in two other segments is falling: ***Aspiring Enthusiasts*** (people currently studying or at the beginning of their professional careers, often earning less than the national average) and ***Mediocre***s (digital Poles who are average in terms of their age, education and income). Digital goods and services have become more affordable for Poles, which has led to a change in their behavior. As a result, some ***Aspiring Enthusiasts*** and ***Mediocre***s have shifted into the ***Digital Omnivores*** segment.
- People were included in this year's study who grew up in the digital era but were too young to be included in the 2016 study.

Our new study shows that, as the use of modern devices increases, so the differences between the six profiles are blurring. This is because the digitization of Polish consumers has sped up significantly (see infographic on pp. 8-9). A number of trends affect this process:

- Digital Poles in 2018 were connected to internet, on different devices, on average 11 hours a day online, five hours more than in 2016⁴.
- The proportion of people using smartphones has grown by 16 percentage points, to its current level of 94%, and 93% of digital Poles now have access to Wi-Fi (up six percentage points on 2016).
- Trust in digital innovations has grown. Going forward, the pace of digitization will depend on whether websites will be able to win the trust of Internet users – and service providers increase the trust that they already enjoy.

- The number of respondents who said that the Internet was an important part of their lives was up nine percentage points, at 44%.

Our segmentation of digital Poles and the changes that we observe can help companies identify which areas they can grow in. In Chapter 1 we present a detailed picture of how the different groups and their behaviors are changing.

Ongoing digitization and the blurring of differences between segments increase the potential for business in terms of the use of new digital technology. These trends also improve the competitive position of Polish companies compared to their Western European peers. The most obvious example of this trend is the value of the e-commerce market of goods, which in Poland is growing systematically by 14% a year. In 2017 it was worth PLN 38.4 billion.⁵

The increasing value of the market also leads to higher expectations from consumers. For example, until recently the key factor influencing purchase decisions was price. Today, ease of payment as well as speed and convenience of delivery are almost as important. Consumers have also begun to expect brands to have a stronger presence across various social media platforms.

But the potential of digitization in Poland goes well beyond e-commerce. In Chapter 2 we discuss other key trends that create opportunities for Polish business. In particular, the following areas are gaining in popularity:

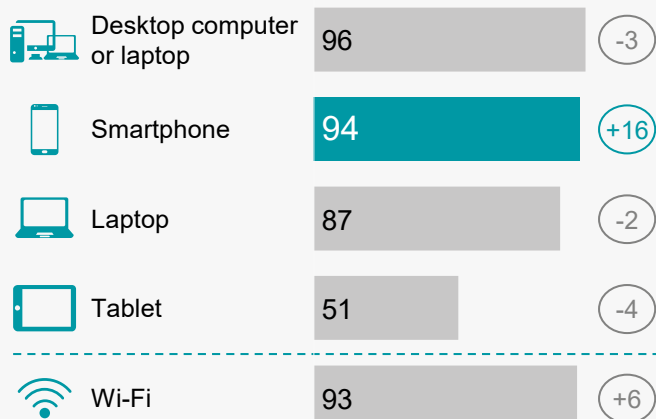
- Online communication – 78% of communication now takes place online (an increase of five percentage points on 2016), with social media playing a dominant role here.
- Social media – These are a daily source of information for 72% of digital Poles, beating all traditional sources of information, including the radio.
- Mobile applications – The average digital Pole uses 14 mobile applications, compared to 30 for Germans, Brits and Americans. This despite the fact that Poland has caught up with other countries in terms of the number of people owning smartphones.
- Video on demand (VOD) – The share of Poles using pay-VOD services has doubled over the last two years, to 17%. At the same time, our respondents' expectations of these services have also increased.
- Simple financial services – 30% of digital Poles make use of basic financial services online. The most popular digital financial products are savings accounts, deposits, credit cards and debit cards.

In the third and final chapter of the report, we show how enterprises can leverage the changes and respond to the challenges to make the most effective use of the growth potential of digital sectors of the economy. At a time when the e-revolution is gaining speed, companies developing a strategy need to do the following:

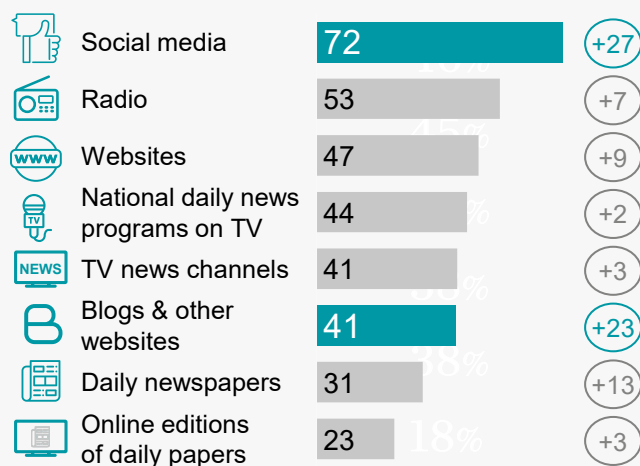
- React flexibly to changing consumer preferences with agile project management and innovative goods and services.
- Use advanced data analysis to automate services and personalize content.
- Build trust among consumers by providing them with a sense of convenience (especially regarding the availability of the company via social media) and online data security.

The changes in consumer behavior in 2016-2018 that we identify here are in line with the trends forecast in our previous report.⁶ Alongside demographic changes and an increase in the percentage of people who grew up with the Internet, as time goes on digital Poles will make greater use of the Internet and become more and more demanding. Companies operating in Poland should therefore carefully prepare themselves to pursue new directions so that they can leverage the opportunities created by the accelerating digital revolution.

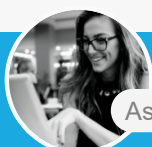
DEVICES OWNED BY DIGITAL POLES, %



SOURCES OF INFORMATION, %



Digital Omnivores

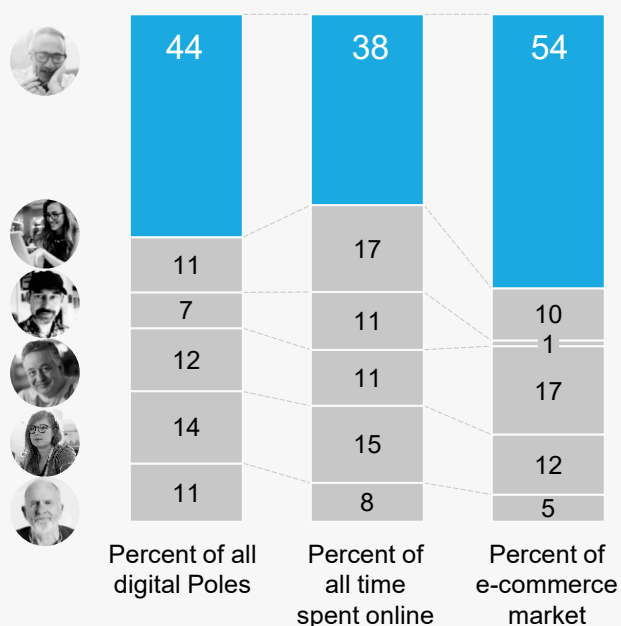


Aspiring Enthusiasts

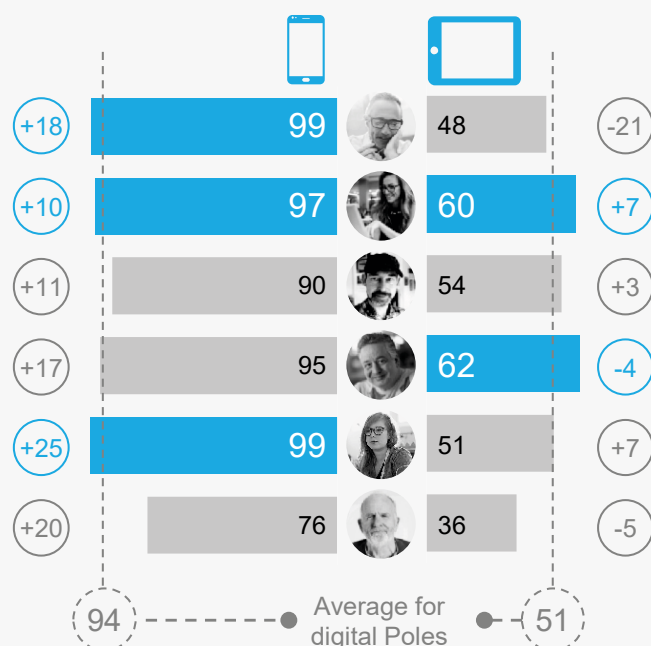
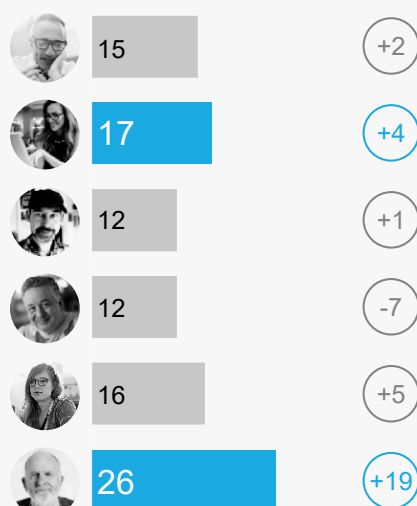
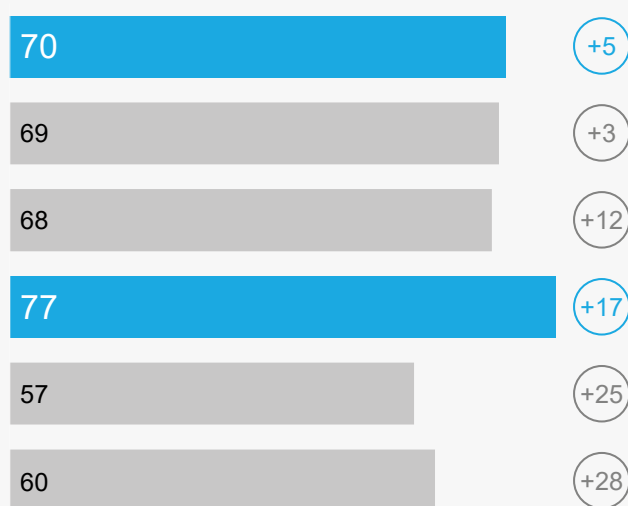


Mediocres

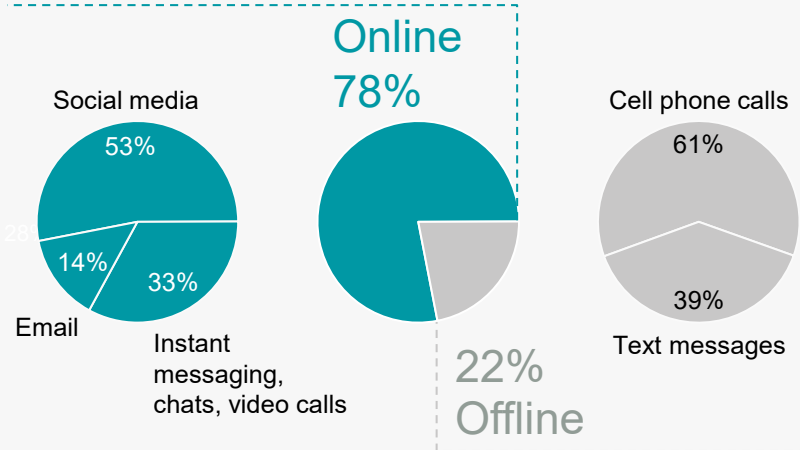
(X) Change 2018 vs. 2016, percentage points

BASIC INFORMATION⁶, %

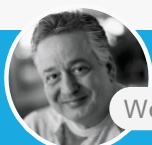
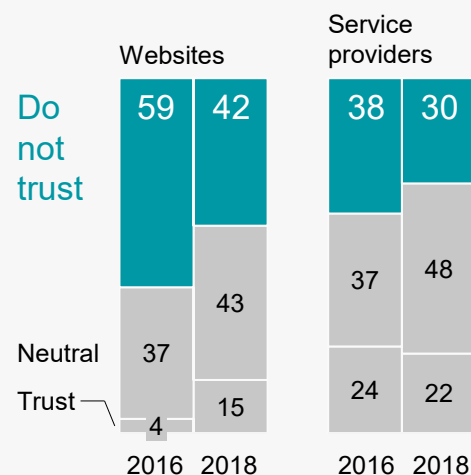
DEVICES, %

ONLINE SPENDING AS SHARE OF INCOME⁷, %PERCENT WHO SHOP ON LINE⁷, %

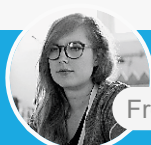
MEANS OF COMMUNICATION



TRUST IN INTERNET



Wealthy Convenients



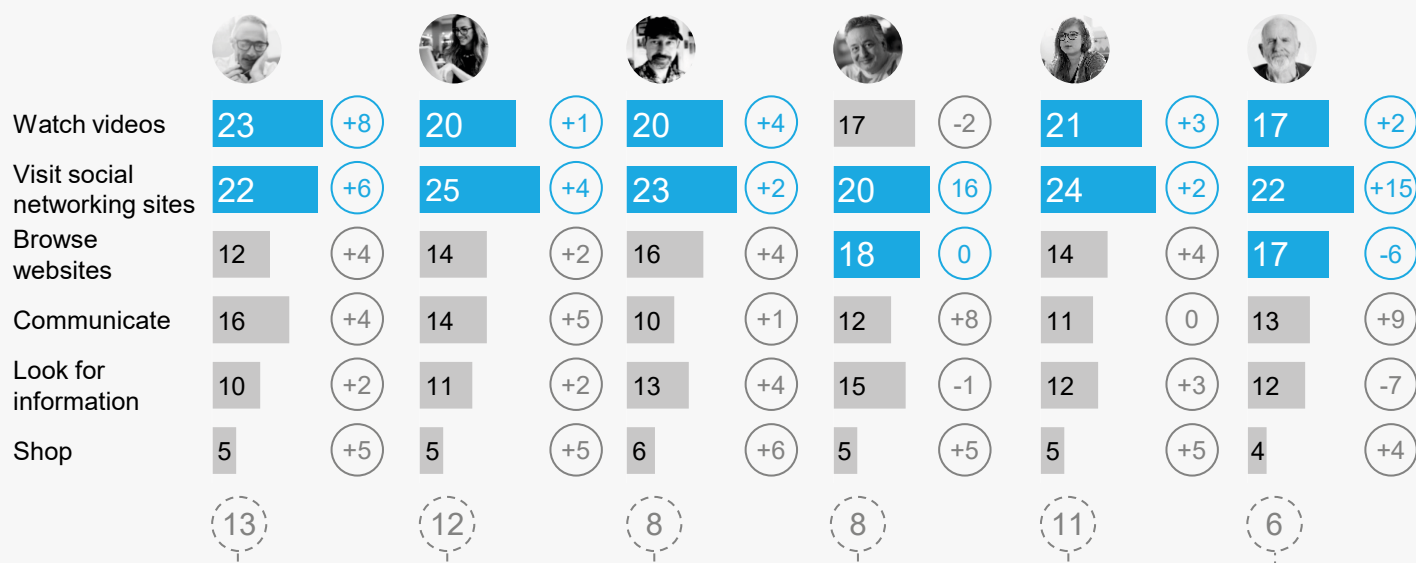
Freebies



Old-fashioned

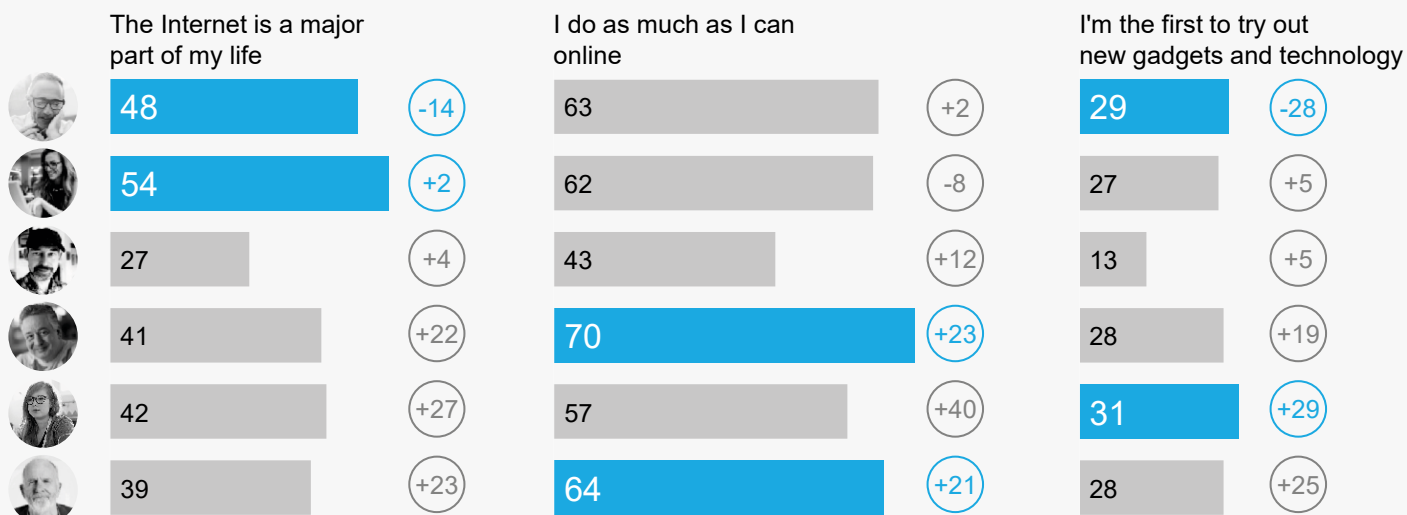
(X) Change 2018 vs. 2016, percentage points

WHAT DO DIGITAL POLES DO WHEN THEY USE THE INTERNET? %



Average total number of hours spent online each day on all devices⁴

ATTITUDE TO INTERNET AND TECHNOLOGY, %





Chapter 1: How are digital Poles changing?

In our 2016 report Digital Poles⁷ we identified six groups of digital consumers in Poland:

- 1** *Digital Omnivores* were educated, and this was also the wealthiest of the segments. In 2016 they accounted for one-third of the net earnings of all digital Poles. The segment was also home to the largest number of people earning more than PLN 5,000 a month. They liked buying new gadgets and trying out the latest technology, and they had the money to do so. In addition, they were the group most open to using the Internet: Over half of them considered it a major part of their life and were frequently active on Internet sites. Not only that, they spent the most time of all the groups online.
- 2** *Aspiring Enthusiasts* were currently studying or at the beginning of their professional careers. Half of them were already in employment, but three out of four earned less than the national average. For *Aspiring Enthusiasts*, like *Digital Omnivores*, the Internet was a major part of their lives – half of them agreed with this statement. One in five *Aspiring Enthusiasts* were frequently active on Internet sites, creating new content, writing blogs and the like. They spent a lot the time that they were on online on social networking sites. And despite their relatively low incomes, they were the group most likely to make online purchases – no doubt looking for special offers and bargains.



- 3 **Mediocres** were about average with regard to their age, education and income. The same went for their attitude toward the Internet, the number of devices they owned, online shopping and the amount of time they spent online. They used the Internet mainly for social networking, watching videos and browsing websites.
- 4 **Wealthy Convenients** were the best educated group (almost 60% had higher education) and worked full-time. They used the Internet mainly for practical purposes, looking for information or browsing websites. They were less likely than other segments to use the Internet for entertainment purposes. Nor were they very active online – few of them contributed to websites.
- 5 **Freebies** were mainly people aged 15-24 and students. This was also the segment with the lowest incomes, 40% of them earning less than PLN 1,000 net a month and over 90% earning less than PLN 3,000 in 2016. **Freebies** were a similar age to **Aspiring Enthusiasts**, but they followed digital trends less closely. They spent the largest portion of the time that they were online on social networking sites, but they did not consider the Internet a major part of their lives. They were the group least likely to use the Internet for activities such as electronic banking or buying tickets.
- 6 **Old-fashioneds** were the final group. Around 75% of them were pensioners, 60% had income of less than PLN 2,000 net a month and 78% did not have higher education. They were the least digitized of all the groups, owning the fewest digital devices, shopping online the least frequently and spending the least time online. They used the Internet chiefly for practical purposes, such as getting information and visiting websites.

Decreasing polarization

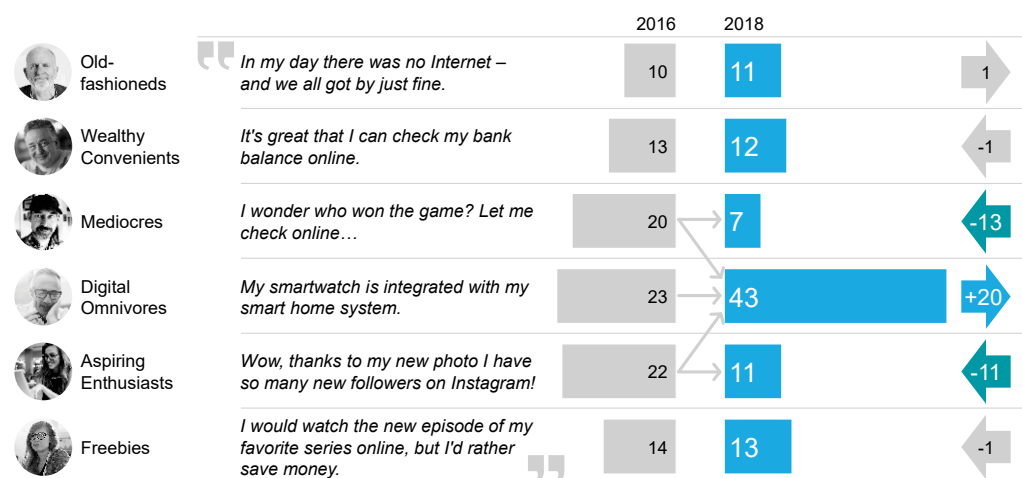
So, what's different when we look at the data from this year's survey? Over the past two years, Poles have changed in their attitudes to the Internet. The distance between the six groups has shrunk in terms of their use of digital solutions. The way they feel about these solutions has also changed. Compared to 2016, digital Poles are less polarized in their digital behavior and the differences between the attitudes of the different segments are less marked.

To a large extent, this tendency is the result of three phenomena:

- 1 Increasing access to the Internet: 93% of digital Poles now have direct access to the Internet at home, up six percentage points on 2016⁸ (the share of the general population with Internet access at home rose from 76%⁹ to 82%¹⁰). At the same time, falling prices have led to greater ownership of smartphones: 94% of digital Poles now own one, up 16 percentage points on 2016.
- 2 Growing trust in certain online companies and organizations: The share of people not afraid of their personal data being abused by the operators of websites has increased nearly fourfold since 2016, from 4% to 15%. Among the various service providers, people trust banks and e-commerce platforms the most, and social media and telecommunications service providers the least.
- 3 Stronger perception of the Internet as a key part of life: 45% of digital consumers now see it as such, up an impressive 22 percentage points on 2016.

Exhibit 1

Polarization between digital Poles is decreasing Breakdown of digital Poles by segment, %



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Naturally, the demographics of the six segments of digital Poles have changed over the past two years. But the typical behaviors on which we base the groups remain the same (Exhibits 1 and 2).¹¹

Digital Omnivores now make up as many as 43% of digital Poles, up 20 percentage points on 2016. This segment has not changed its behavior in the digital world, but its size and demographic diversity have expanded. It consists of well-educated, working people who enjoy trying out innovative digital solutions and gadgets; but it also includes younger people who grew up in the digital era and who navigate the Internet with ease – the “digital natives”.

We divide *Digital Omnivores* into two demographic subgroups. The first subgroup consists of Poles aged 25-44. They are the best educated of all the groups and subgroups, 82% of them having higher education. Overall, 76% of this subgroup work full-time; only *Wealthy Convenients* have a higher share of people in full-time employment.

The second demographic subgroup of *Digital Omnivores* – the digital natives – already make up 70% of the entire group. In this subgroup, 58% are under 24; all respondents in this age group shared similar digital behavior characteristics and thus belong to this sub-group. Around 29% of the subgroup are students, the highest level of all the groups.

This second sub-group emerged as a result of changing digital behaviors, above all among *Aspiring Enthusiasts*, as digital goods and services became more accessible. They have now been joined by digital natives, who were under 15 when we conducted the 2016 survey but can now be considered adults.

*Old-fashioned*s account for a further 11% of respondents, up one percentage point on 2016. This segment is still slow-off-the-mark with regard to all things digital. Around 61% are aged 60-64, the highest percentage of all groups in the survey, and 45% are pensioners – also the highest percentage of all groups.

Wealthy Convenients now make up 12% of respondents, compared to 13% in 2016. Some 71% are aged 45-59, and 76% have higher education – the second-highest rate after *Digital Omnivores*. In addition, 78% of *Wealthy Convenients* work full-time, the most of any of the segments. Around 40% of them earn more than PLN 4,000 net a month, also the highest share of all the groups.

Aspiring Enthusiasts and *Mediocres* are the two segments that have shrunk the most since 2016. *Aspiring Enthusiasts* now make up 11% of digital consumers, a drop of roughly a half compared to 2016. This is the result of increased spending on digital goods and services as they have become more affordable. The average Aspiring Enthusiast is 25-44 years old, and 38% of people in this group earn less than PLN 2,000 net a month – the lowest of all the groups.

Approximately 7% of respondents are now *Mediocres*, down 13 percentage points on 2016. *Mediocres* are slow-off-the-mark with regard to digital matters. Some 87% of them are aged 35-44. A large share of those who were *Mediocres* and *Aspiring Enthusiasts* in 2016 have now become *Digital Omnivores* as a result of their changing digital behavior.

Exhibit 2

Ranking of segments for five key areas of digitization

Based on values of indicators, from lowest to highest



1 Indicator: 40% – share of smartphone users; 30% – share of users of “wearables”, e.g., smartwatches; 20% – share of tablet users; 10% – share of users of game consoles and smart TVs

2 Total hours spent online (on cell phone, computer, tablet, TV)

3 Percentage of people who bought items online in the last six months – 60% min. two items, 40% min. six items

4 Indicator: 70% average time spent using cell phone; 30% average time spent online on phone

5 Average response to selected questions about attitude

SOURCE: McKinsey “Digital Poles” survey, 2018

Freebies now make up 13% of respondents, down one percentage point on 2016. Around 63% of respondents in this group are 45-59 years old. Some 88% have primary or secondary education – the highest percentage of all the groups. In their professional and private lives, **Freebies** and **Mediocres** are around the average for digital Poles.

Apart from the demographic characteristics described above, the different segments of e-consumers differ in terms of their attitudes to the Internet and toward technology in general, the number of digital devices they own and how often they go online. Be that as it may, however, they all use the Internet much more than they did in 2016, which has led to a flattening out of the differences between them (Exhibit 2).

Digital Omnivores are still active participants in the e-revolution, but their dominance has weakened since 2016 as the other segments have become more digitized (Exhibit 3). Compared to the others, **Digital Omnivores** are still ahead in terms of the amount of time they spend online, their use of cell phones and their attitude to digitization.

For about half of **Digital Omnivores**, the Internet forms a major part of their lives, and 63% do as much as possible online (down two percentage points on 2016, Exhibit 4). This noticeable decline has to do with the fact that the digital natives have joined their ranks, for whom the Internet is just one of the many natural parts of life. Another factor is the increased affordability of digital goods and services.

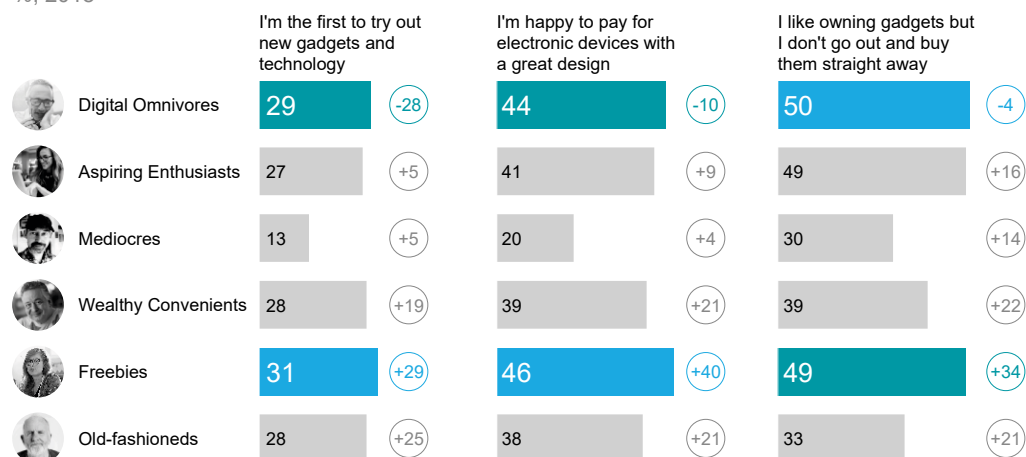
Digital Omnivores are more active online now than they were in 2016. Some 23% (up eight percentage points on 2016, Exhibit 5) watch videos online, and 22% (up six points) post things on social networks. They also enjoy shopping online.

Despite **Digital Omnivores** being more active online, their dominant position among digital Poles has weakened. The polarization in the level of digitiza-

Exhibit 3

What is digital Poles' attitude to technology? %, 2018

○ Change vs. 2016, percentage points



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

tion of the different segments has also decreased. This means that *Freebies* and *Aspiring Enthusiasts*, for example, are now on the same level as *Digital Omnivores* when it comes to trying out the latest gadgets and digital technology.

Digital Omnivores spend about 16% of their time online communicating with others – the highest percentage of all the groups in the survey. But compared to 2016, they are now less likely to use social media for this purpose (23%, down 14 percentage points) and more likely to use instant messaging and chat (34%, up by seven points) or telephone calls and text messages (30%, compared to 20% in 2016).

Some 86% of *Digital Omnivores* who use social media do so on a daily basis, up 13 percentage points on 2016.

Aspiring Enthusiasts are the second most active group in the e-revolution, both in terms of their behavior (owning digital devices, spending time online, shopping online, using their cell phones) and their attitude towards digitization. Although they have low incomes, they regularly shop online. And thanks to increasing affordability they enjoy trying out the latest technology and gadgets (Exhibit 4).

Aspiring Enthusiasts are the segment most likely to say that the Internet is a major part of their lives (54%). When they are online, they are mainly on social media sites or watching videos (Exhibit 5). For online communication, they use instant messaging and chat services roughly in equal measure (Exhibit 6).

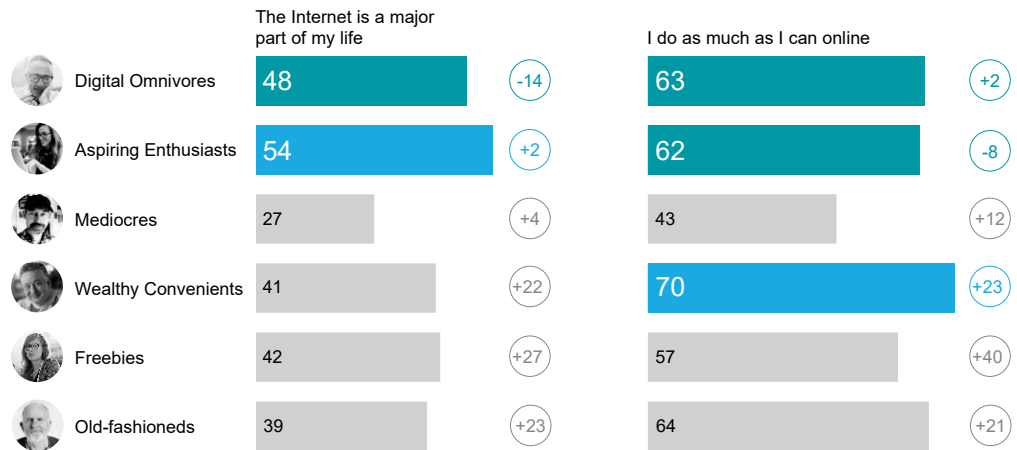
Wealthy Convenients lead the way in terms of using the Internet to perform a wide range of activities. This segment actively exploits the digitization of increasing areas of day-to-day life.

Compared to 2016, *Mediocres* no longer represent the average for digital Poles. Their sluggish response to digital transformation, combined with the progress made by other groups, has pushed them to back of the pack.

Exhibit 4

What is digital Poles' attitude to the Internet? %, 2018

○ Change vs. 2016, percentage points

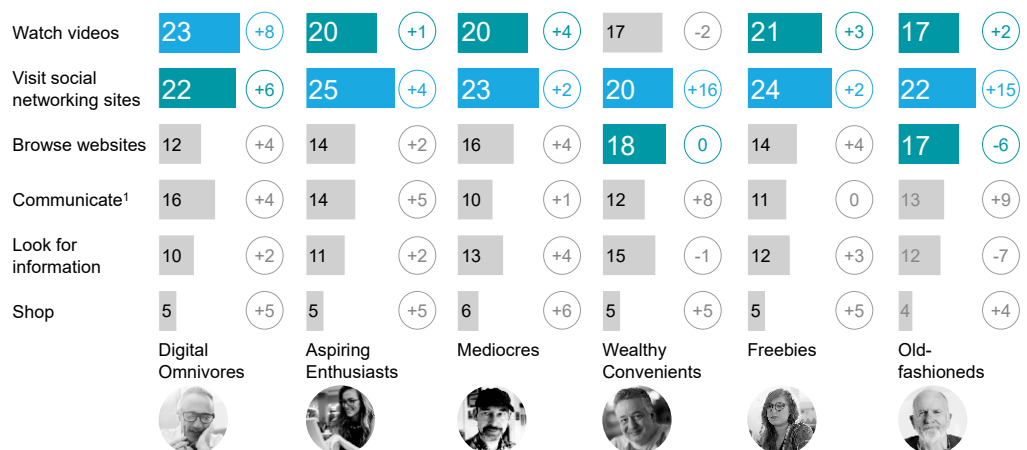


SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Exhibit 5

What do digital Poles do on the Internet? Percentage of total time spent online, 2018

○ Change vs. 2016, percentage points

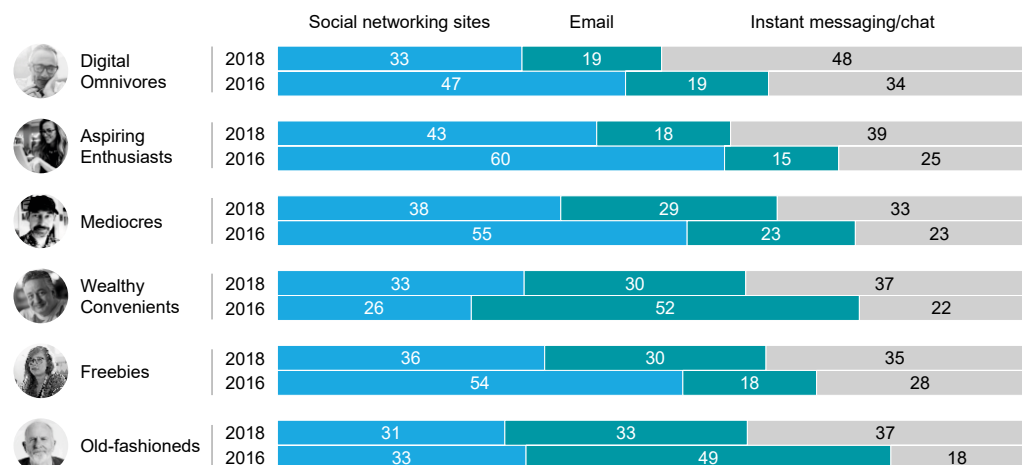


¹ Instant messages, video calls, chat

SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Exhibit 6

How do digital Poles communicate using the Internet? Percentage of total time spent communicating



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

This is despite the fact that they are increasingly open to trying out new technology and interested in buying gadgets and well-designed electronic goods (up by 4 percentage points from 2016).

Mediocres are among the least active participants in the e-revolution, ranking very low in terms of their engagement with digitization. They rank second from bottom for ownership of digital devices, beating only **Old-fashioned**s. And they rank last when it comes to attitude to technology, scoring low in terms of trying out new technology, pleasure in owning new gadgets and willingness to pay for such items.

Mediocres use the Internet mainly for going on social media, watching videos and surfing the Internet. They are the group that has opened up most to communicating via the Internet since 2016, at the expense of communicating via social media – they are now using instant messaging services, chat and emails to a greater extent.

Wealthy Convenients have the largest number of electronic devices per person. When it comes to time spent online, use of cell phones and attitude towards digitization, this segment, alongside **Freebies**, now represents the average for the groups surveyed.

Wealthy Convenients do the most activities online of all the segments, including shopping online more frequently than the others. Like **Old-fashioned**s, the amount of time that they spend on social media has grown significantly, as has the proportion of them going on social media every day (from just 6% in 2016 to an impressive 82% today).

Freebies – people without higher education, mainly aged 45-59 – have become more digitized than in 2016 and so moved towards the middle of the ranking. This segment has shown the greatest increase in perception of the Internet as a major part of life and the tendency to do as much as possible online.

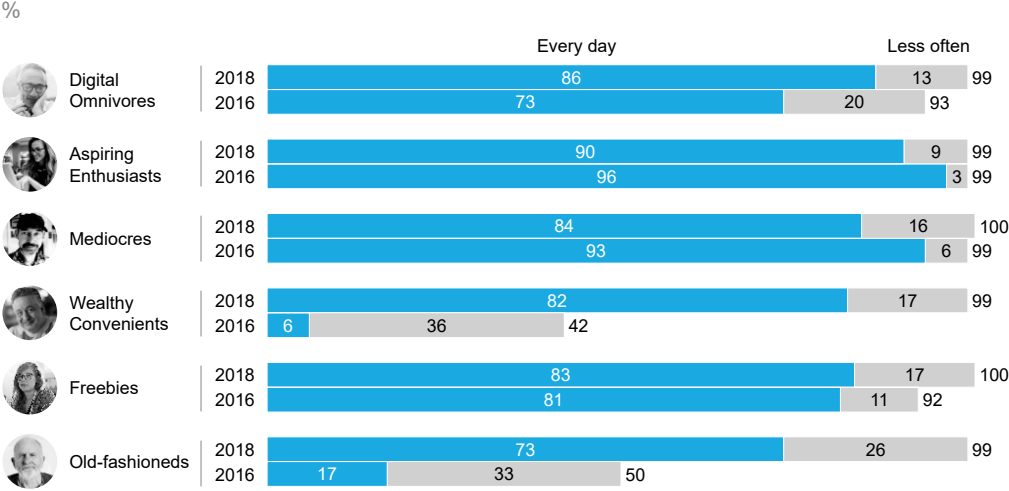
Freebies have also shown the greatest change with regard to opening up to new gadgets and technology and buying electronics. When they are online, they spend most of their time on social media or watching videos. For communicating via the Internet, they use equally e-mails, social media and instant messaging services (Exhibit 6).

Old-fashioneds are mainly people over 60, often retired. Despite ranking low in all areas, they are showing more and more engagement with digitization than in the past. They spend more time online today than in 2016. The proportion of **Old-fashioned**s for whom the Internet has become a major part of life has risen to 39%, up 23 percentage points, and 64% now do as much as they can online.

Old-fashioneds have also changed their online behavior since 2016. They now less often search for information (down seven percentage points, to 12%) and visit websites (down six points, to 17%) and more often watch videos (up five points, to 20%) and go on social media (up two points, to 17%). Some 73%

Exhibit 7

How often do digital Poles use social networking sites on their phones?



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018



of those who go on social media do so every day, compared to just 17% in 2016.

The picture we have drawn above is clear: In the course of just two years, significant demographic and behavioral change has occurred for all types of digital Poles. Increasing digitization, broader knowledge and more widespread engagement with the digital world, combined with the greater affordability of devices, have brought attitudes towards using digital technology closer together. As a result of this harmonization, Poles are now increasingly able to leverage the dynamic development of the e-commerce market.





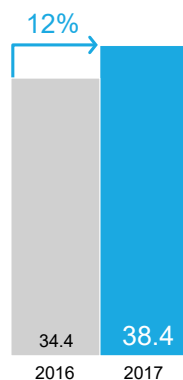
Chapter 2: What is the digital growth potential?

Dynamic growth of e-commerce

The value of goods sold on the Polish e-commerce market in 2017 was PLN 38.4 billion, 12% more than in 2016.¹² Online sales accounted for 7.1% of this, having grown by 14% a year in the period 2013-2017.¹³ This makes Poland one of the leading countries internationally in terms of growth, only just behind the United States – and indicates Poland's great potential

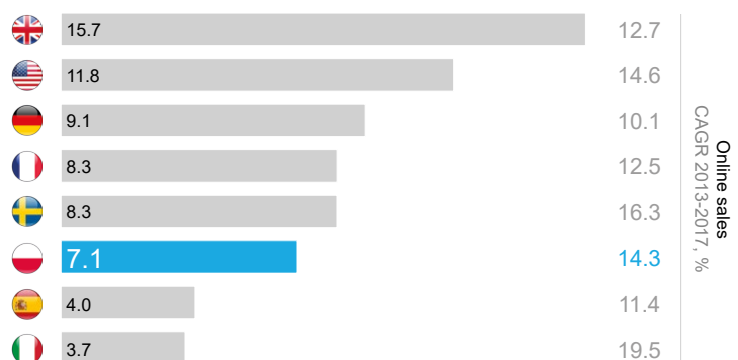
Exhibit 8

Value of Polish
e-commerce market
PLN bn



SOURCE: McKinsey analysis based on Euromonitor International, Forrester Analytics: Online Retail Forecast, 2017 to 2022 (Eastern Europe), available market data, press releases and expert interviews

Share of online in total
retail sales
%¹



¹ Penetration rates based on EUR million retail value excluding sales tax, constant 2017 prices, and fixed 2017 exchange rates. Data for 2018 estimated in fall 2017

SOURCE: McKinsey analysis based on Euromonitor International, Forrester Analytics: Online Retail Forecast, 2017 to 2022 (Eastern Europe), available market data, press releases and expert interviews



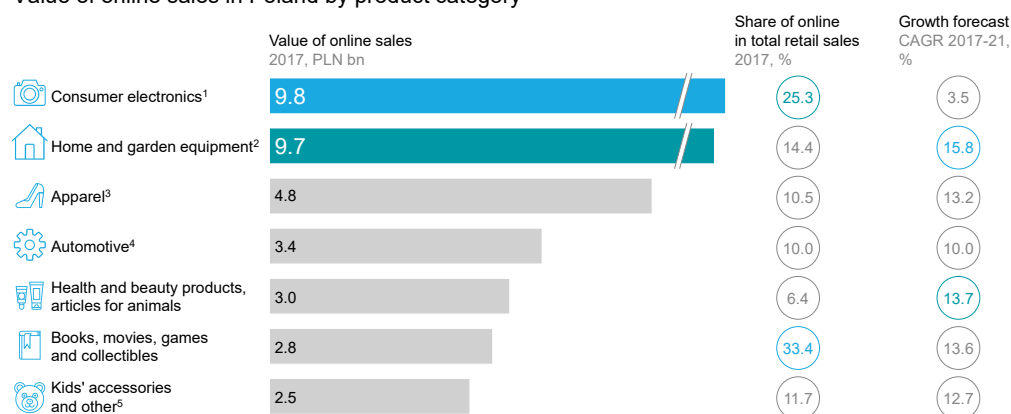
for market development (Exhibit 8).

In 2017 more than half of online sales in terms of value related to consumer electronics and home and garden equipment. The biggest share of online in total retail sales was found for books, movies, games and collectibles (33.4%) and consumer electronics (25.3%, Exhibit 9).

According to forecasts, the total value of online sales will continue to grow strongly in 2017-2021, at 11% a year. Individual growth rates will differ by product category, depending on the digitization of retail for each category. The categories with the highest projected annual growth rates for online sales in value terms include home and garden equipment (15.8%) and health and beauty products and articles for animals (13.7%). In the case of home and garden equipment in particular, the forecast growth of online sales compared to the size of the category indicates great potential.

Exhibit 9

Value of online sales in Poland by product category



¹ Including used and refurbished electronics

² Including home decor, furniture (including kids' furniture), tools and home improvement products, gardening tools and accessories

³ Including clothes, jewelry and watches, footwear and gallantry

⁴ Excluding classifieds

⁵ Including toys and kids' accessories, sports and recreation, grocery, industrial and office supplies, stationery

SOURCE: McKinsey analysis based on Euromonitor International, Forrester Analytics: Online Retail Forecast, 2017 to 2022 (Eastern Europe), available market data, press releases and expert interviews

Online channels are most often used to look for product information – Massive growth potential for online sales

Although the Internet already plays an extremely important role as a source of product information and a sales channel, it still has huge potential for growth. The e-commerce landscape has diversified significantly over the last two years, with categories that previously had a very low share of online sales exhibiting significant growth (Exhibit 10).

However, the conversion rate from searches to online purchases is still low. Poles are increasingly buying fast-moving consumer goods and items with no shelf-life, such as detergents, apparel (including sportswear and children's wear) and health and beauty products (perfumes, cosmetics, vitamins, conditioners) online. The share of online purchases in these segments has grown significantly, by 25 to 33 percentage points.

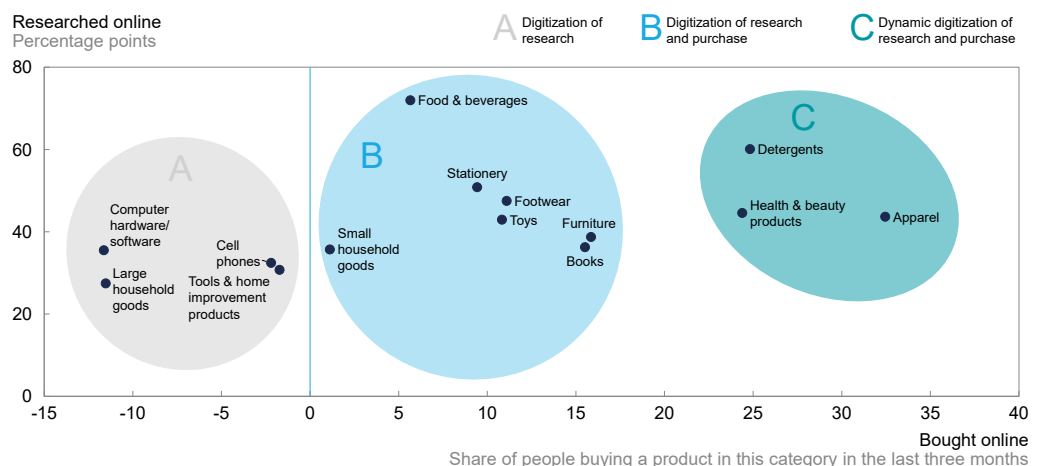
Moreover, the increased sales seen in some categories are not the result of new users shifting to online sales: The number of people buying online increased by only two percentage points, from 18% to 20%.

At the same time, the popularity of e-commerce in categories such as large household goods, tools and home improvement products, computer hardware and software and cell phones is falling. Compared to 2016, the number of people buying such products online decreased by between two and 12 percentage points.

For tools and home improvement products, this can be explained by the lack of online expert support and same-day deliveries. There has been no breakthrough in this area in the last two years, as a result of which the share of online sales in the market has remained stable.

Exhibit 10

How have the categories of products researched and bought online by digital Poles changed?
Change in percentage share vs. 2016, percentage points



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

A similar trend is found for large household goods. Here, and with cell phones too, we observe a process of “premiumization”, in which people buy better quality products that they can still afford. This process means that despite fewer items being sold, the value of the basket increases.

The declining share of online sales of computer hardware and software is due to the increasing saturation of the smartphone market. Moreover, buying these products online is no longer more attractive than buying them offline from the perspective of consumers.

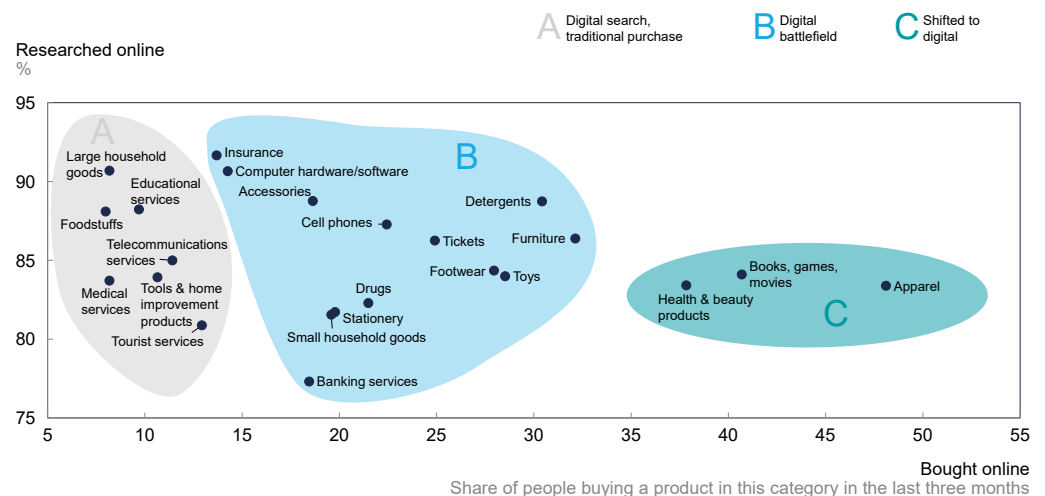
The Internet is becoming an increasingly important source of information about products that people are considering buying. Around 86% of people now state that they use the Internet to gather information about goods before making a purchase decision – nearly twice as many as in 2016 (44%). Increases are seen in all categories, but the biggest changes are in foodstuffs (up 72 percentage points) and detergents (up 60 points).

The ROPO trend – “research online, purchase offline” – continues to grow for digital Poles. This leads to an increasing disproportion, year by year, between the number of product searches and the number of products actually bought. Asymmetry occurs in several product categories, such as ten times more online viewers than buyers for large household goods, and six times more viewers than buyers for computer hardware and software.

A similar trend affects services. Digital Poles buy educational, medical, tourist, telecommunication and insurance services between three and ten times less frequently than they research them online. This points to clear potential for increasing the share of transactions completed online (Exhibit 11).

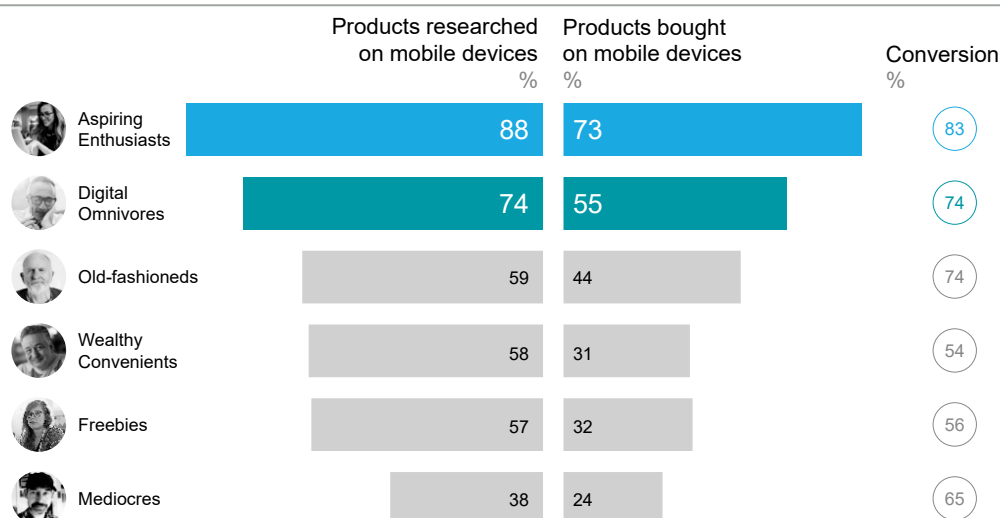
Exhibit 11

Categories of products researched and bought online by digital Poles



SOURCE: McKinsey “Digital Poles” survey, 2018

Exhibit 12



SOURCE: McKinsey "Digital Poles" survey, 2018

Whether digital Poles ultimately decide to buy online or not, they increasingly use their mobile devices during the purchase process. Over half of Poles search for products on their phones or tablets. The highest conversion rates are found for *Aspiring Enthusiasts* (83%), *Digital Omnivores* and *Old-fashioneds* (both 74%, Exhibit 12). The average conversion rate for all groups is 72%.

A significant proportion of customers view alternative products on their phone while they are actually in a bricks-and-mortar store – 51% using their browsers, 23% on mobile applications and 31% on price comparison sites. One in four people read reviews by users or professional testers online before making their decision.

Convenience gaining importance at the expense of price advantages

Poles give many different reasons for deciding to shop at a bricks-and-mortar store, even after searching for a product online. A sizeable proportion of people want to check the quality of the product, to try it out before making their decision. Although this factor plays a less important role than in 2016, it still applies to almost 40% of digital Poles.

The respondents also expressed greater trust in bricks-and-mortar stores. Some 16% said that they felt safer making payments in person. One in ten said that they were more confident that they would receive an original product if they bought it in a physical store, and one in twelve said that they were unhappy giving personal data online.

But digital Poles are also increasingly tempted by what online stores have to offer. Half of them choose online shopping because of the low prices, convenience and time savings associated with e-commerce (Exhibit 13). Between 2016 and 2018 there was a significant drop in the weight given to price advantages (only 54% of respondents said that price and promotions were an important advantage of online shopping, compared to 79% in 2016).

Exhibit 13

Why do digital Poles still shop in traditional stores?

○ Change vs. 2016, percentage points



SOURCE: McKinsey "Digital Poles" survey, 2018

Why do digital Poles make online purchases?

○ Change vs. 2016, percentage points



During the same period, the importance of greater convenience compared to bricks-and-mortar stores was more or less constant, around 40% of respondents indicating that this was a factor in their decision to shop online. By contrast, home delivery has become more important, with one in four stressing the role of this service, compared to one in five in 2016. Trust in certain online institutions is also growing, including banks and e-commerce platforms.

Growing importance of social media

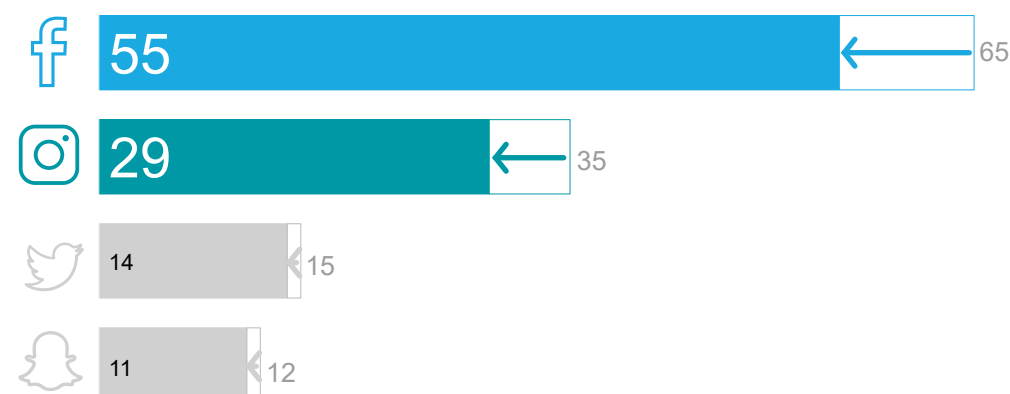
Online shopping is gaining popularity year on year, for all segments of digital Poles. Online stores' presence on the Internet is not limited to their websites, online marketplaces and price comparison sites, however: More and more Poles use social media as a source of information, a communication channel and even a place to carry out transactions (Exhibit 14).

Exhibit 14

On which social media platforms do digital Poles follow brands/companies?

%

← Level of Digital Omnivores



SOURCE: McKinsey "Digital Poles" survey, 2018

The use of specific services varies depending on the segment. For all six segments, Facebook is the most popular social media platform for checking out companies. The biggest potential for Facebook lies with *Digital Omnivores* and *Aspiring Enthusiasts*, more than two-thirds of whom say they actively use the social network. Facebook and Instagram are particularly important for digital natives – the younger segment of *Digital Omnivores*: The popularity of these sites is three to five percentage points greater for this sub-group than for the entire group.

Other social media platforms are much less popular. On Instagram, for example, the most active groups are *Digital Omnivores* (35%) and *Wealthy Convenients* (33%).

The observations above indicate that the economic situation is favorable for companies that conduct retail activities online. Digital Poles are increasingly treating the Internet as an integral part of their purchase path.

At the same time, conversion from searching to purchasing remains a major challenge for online stores. Retailers need to strive continuously to improve the shopping experience for consumers, their trust in the brand and the attractiveness of their offers in order to encourage consumers to make purchases online. Bricks-and-mortar stores, on the other hand, should devise a carefully thought-out multi-channel strategy, focusing in particular on the role and format of physical stores and how they function in conjunction with online operations.



Broader access to modern devices

Poles are increasingly using modern devices, mainly due to better affordability

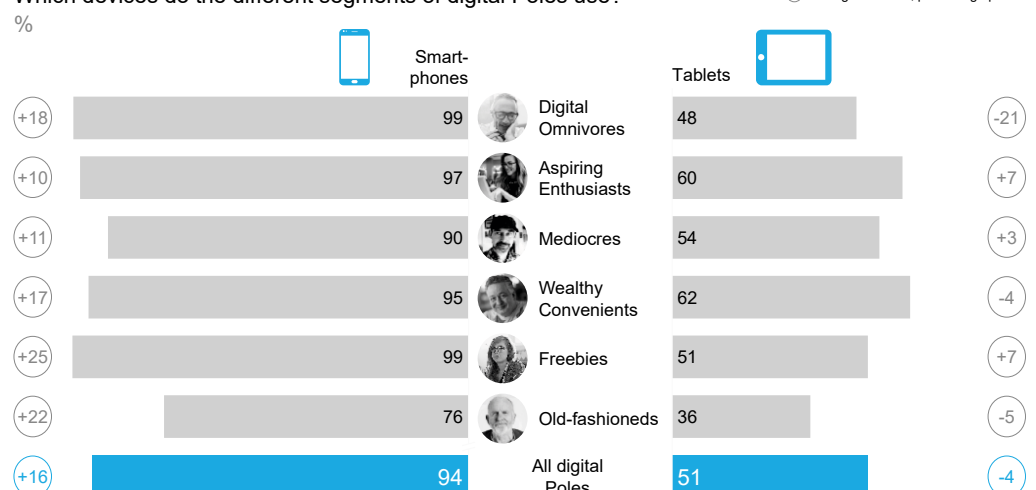
The most popular device in Polish homes today is a cell phone, owned by 96% of respondents – more popular than Wi-Fi (93%) or laptops (88%). This growing popularity of cell phones among Poles goes hand-in-hand with an increase in the number of people using smartphones. In 2016 only 78% of respondents said that they a smartphone, compared with 94% today.

Smartphones have also become more affordable. These days, respondents are less likely to give price as the reason for not having a smartphone (down five percentage points on 2016). The popularity of smartphones in all groups except *Mediocras* and *Old-fashioneds* is over 95% (Exhibit 15).

Exhibit 15

Which devices do the different segments of digital Poles use?

○ Change vs. 2016, percentage points



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

No such increase in interest is seen for tablets, however: Ownership actually fell from 55% to 51%. The decline is clearest in the biggest segment, **Digital Omnivores**, among whom use of tablets dropped 21 percentage points (Exhibit 15).

Younger Poles use modern communication channels twice as often as older Poles

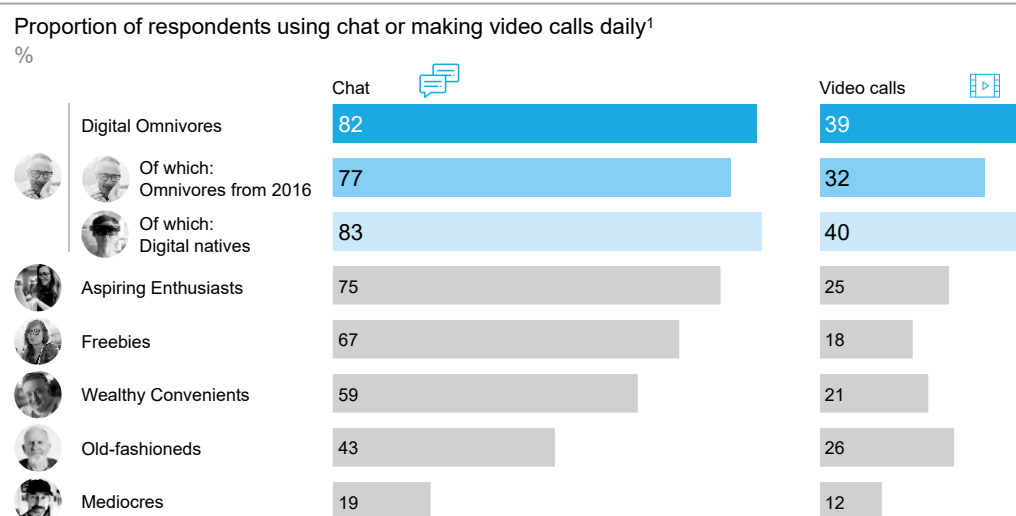
Poles are increasingly choosing to use modern communication devices. The respondents said that 78% of their technology-based communication now takes place online – via social media, email and Internet apps such as instant messaging, video calls and chat.¹⁴ This percentage has grown significantly since 2016, when it was 73%. The trend applies to all groups, especially **Old-fashioneds** and **Freebies**, for whom the share of online communication has grown as mobile devices have become more popular: The percentage of people owning smartphones rose by 22 percentage points for **Old-fashioneds** and 25 points for **Freebies**).

Telephones are the most popular device used for online communication. In terms of time, nearly 55% of communication by digital Poles is done on their phones, compared to just 36% on computers.

Changes are also visible in the way Poles communicate online. While social media are still the most popular channel for online communication, accounting for 41% of total communication time on average, chat, instant messaging and video calls have gained in importance since 2016. Today, 82% of **Digital Omnivores** use chat applications on a daily basis and around 39% make video calls (Exhibit 16).

The different segments also vary in terms of the number of messages sent online (Exhibit 17). Out in front are the Digital Natives, who send over 50 messages a day. **Aspiring Enthusiasts** are not far behind, at 21 to 50 messag-

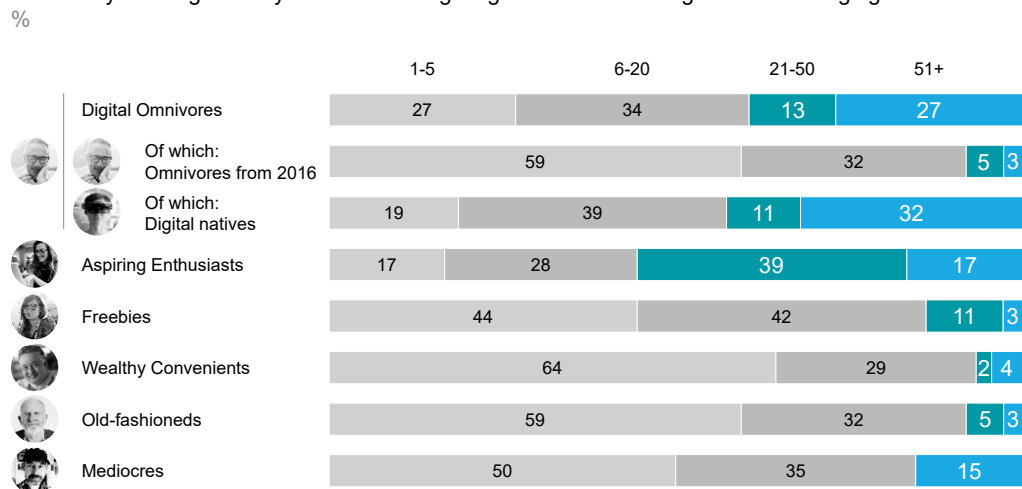
Exhibit 16



¹ Respondents who say that they use chat applications or make video calls every day or nearly every day
SOURCE: McKinsey "Digital Poles" survey, 2018

Exhibit 17

How many messages a day does the average digital Pole send using instant messaging?



SOURCE: McKinsey "Digital Poles" survey, 2018

es a day. *Omnivores* from 2016, despite their high level of digitization, use this method of communication extremely rarely, in most cases only about as often as *Mediocres* and *Old-fashioneds* (Exhibit 17).

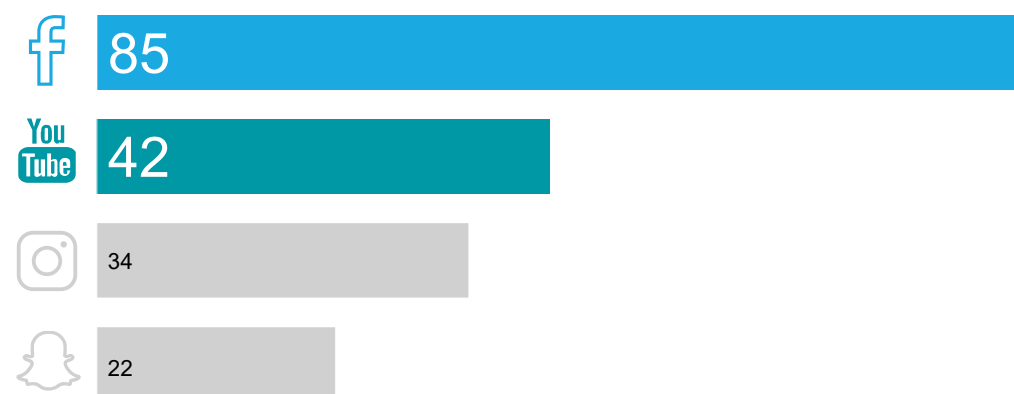
Despite market saturation for smartphones, Poles lag behind in their use of mobile apps

The average digital Pole uses 14 mobile applications, compared to 30 for people in Germany, the United Kingdom and the United States.¹⁵ In these countries roughly 50% of people use the most popular mobile applications – Instagram, Snapchat and YouTube.¹⁶ In Poland the popularity of the different applications varies widely, with as many as 85% of respondents using Facebook but only half that number using Youtube. Clearly, there is potential for increasing the use of mobile applications among digital Poles (Exhibit 18).

Exhibit 18

Where do digital Poles post things?

Percentage of respondents who have installed the app



SOURCE: McKinsey "Digital Poles" survey, 2018



Growth of online media

Watching videos online is popular among Poles. Internet users currently spend 21% of their time online doing just this, up four percentage points on 2016 (see Chapter 1). Indeed, watching videos online is now the second most popular activity on the Internet for Poles, just one percentage point behind going on social media.

Spending on media content is rising despite a drop in the number of pay TV users – digital content providers are the winners

Spending on media content has grown by 3% compared to 2016, with 20% of consumers spending more than they did in the past and 17% spending less. The biggest increases are found for **Digital Omnivores** (6%) and **Freebies** (13%). **Digital Omnivores** are generally the first to adopt new technological solutions and services, and this is the reason why they are spending more – that, plus the fact that the amount of content available is also growing. **Freebies** also show an increase in spending but this is from a very low starting point: In the past they simply accessed free content. They may also be spending more on content because they are now earning higher salaries.

Numbers of traditional and pay TV users are declining despite high levels of satisfaction – Viewers are more likely than ever to change providers

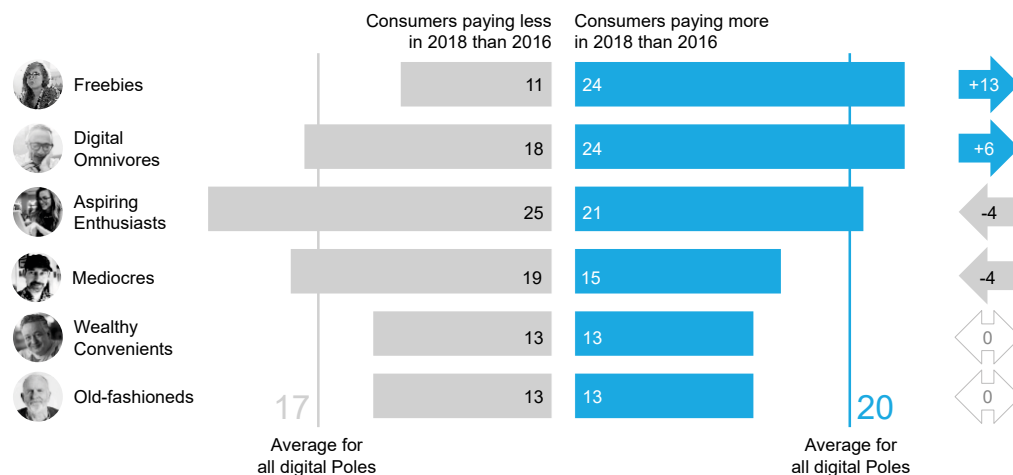
Since 2016 the number of users has fallen substantially for both pay TV (from 72% down to 66%) and free TV¹⁷ (from 52% to 44%, Exhibit 20). This is a continuation of the trends noted in our previous Digital Poles report. In addition, fewer and fewer Poles have a TV at home: The share of households that use a traditional receiver has fallen by two percentage points compared to 2016, to its current level of 92%.

This is despite the fact that users generally declare a high (and growing) level of satisfaction with pay-TV services. As many as 18% of Poles say they are planning to switch provider in the near future (Exhibit 21).

Exhibit 19

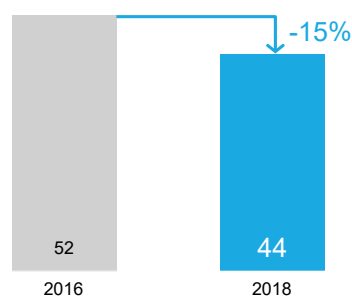
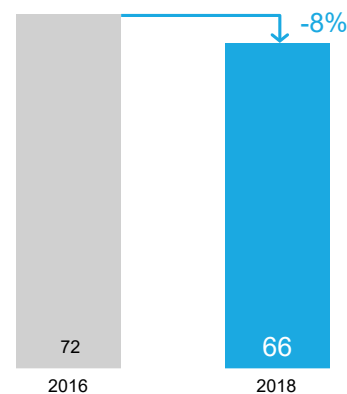
How has digital Poles' spending on media content changed for each segment?

Percentage of respondents who have increased or decreased their spending



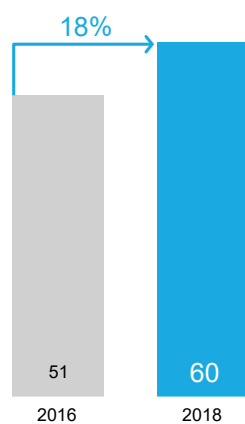
SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Exhibit 20

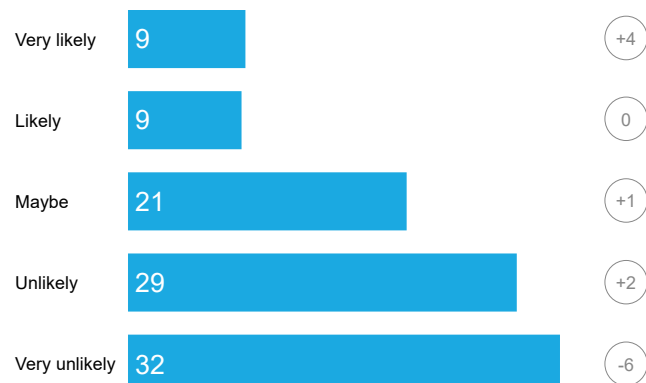
Users of free TV
Percentage of respondentsUsers of pay TV
Percentage of respondents

SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Exhibit 21

Percentage of respondents
happy with the level of service
provided by their pay TV providerLikelihood of changing TV/VoD provider
within the next six months

Percentage of respondents, 2018



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Exhibit 22

Reasons for canceling pay TV/VoD services
Percentage of respondents, 2018

○ Change vs. 2016, percentage points



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

These trends are particularly obvious for *Digital Omnivores* and *Aspiring Enthusiasts*, which represent the most attractive segments for businesses. More than 20% of these users are considering changing providers or abandoning pay-TV services altogether within the next six months.

The main reasons for these potential changes are the same as in 2016, namely that consumers consider the pay-TV services not worth the money (34% indicated that this was the main reason for cancelling their subscription) or they are unhappy with the level of service (29%, Exhibit 22). Interestingly, other factors that have grown in importance since 2016 are the price of the services (28%, up 12 percentage points) and the availability of online content and the increasing use of media on devices other than television (20%, up seven points).

The role of the television set itself is also changing. With smart TV solutions now available, televisions are no longer just for watching linear TV. Indeed, 14% of digital Poles use their TVs simply as large screens for looking at Internet content in comfort.

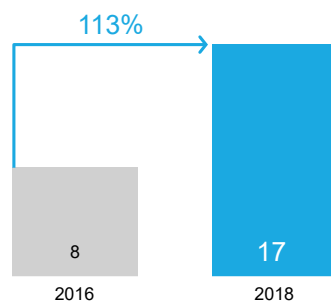
Increasing numbers of Poles are paying for online content

TV viewers and consumers of free online entertainment services are also increasingly turning to paid digital media (Exhibit 23). This is shown by the dynamic increase in the number of people using pay-VOD services – the proportion of users accessing these services has doubled in the last two years, to 17%. Growth is seen not only among the most digitally aware segments, such as *Digital Omnivores*, but also among other groups: *Old-fashioned*s are the biggest segment using VOD services to view specialist content, such as “do it yourself” guides.

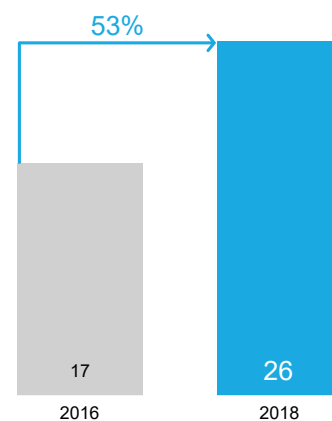
Barriers to the consumption of online entertainment (downloading movies and music from the Internet, VOD services, music streaming, online games) are beginning to fall, even for users in the segments least open to innovation. Thus, 21% of people accessed online entertainment in 2018, compared to just 14% in 2016.

Exhibit 23

Percentage of respondents using pay VoD services at least once a month



Percentage of respondents willing to pay for additional services



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

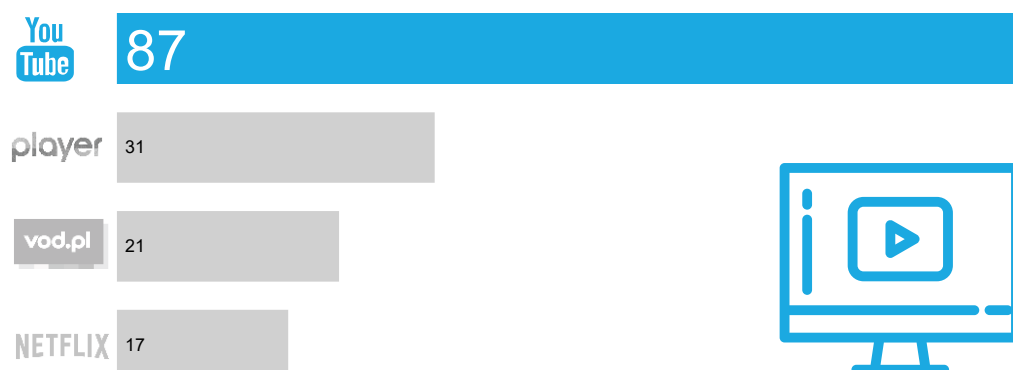
The growing popularity of VOD and types of media consumption other than traditional television is connected with the increased availability of digital media (viewers can now access video content in a non-linear fashion) and the wider range of content available. Consumers also have increased expectations when it comes to convenience: They want to be able to watch their favorite content at a time convenient for them and on a device of their choosing – 38% of them now watch videos on their cell phones, for example.

Online still dominated by free content, but paid platforms are gaining ground

Some 89% of Poles already consume media in various ways. The most popular platform is YouTube, which offers mainly free content (Exhibit 24). YouTube is by far the most popular site offering online entertainment: It is used by 87% of respondents, compared to 20-30% for local sites. Indeed, YouTube's position as market leader appears unassailable. But as other platforms providing high-quality, unique content become more accessible, so they are attract-

Exhibit 24

Popularity of entertainment services among digital Poles
Percentage of respondents using the service



SOURCE: McKinsey "Digital Poles" survey, 2018

ing more and more users, especially from the attractive Digital Omnivore and Wealthy Convenient segments. Thus, the fourth-largest service has seen a four-fold increase in popularity over the last two years.

YouTube and VOD are also gaining popularity among children and teenagers (up 12 percentage points on 2016, to 34%). This puts them ahead of TV networks aimed at children (Disney, Nickelodeon) and DVDs.

Widespread availability of online video content is driving consumer expectations

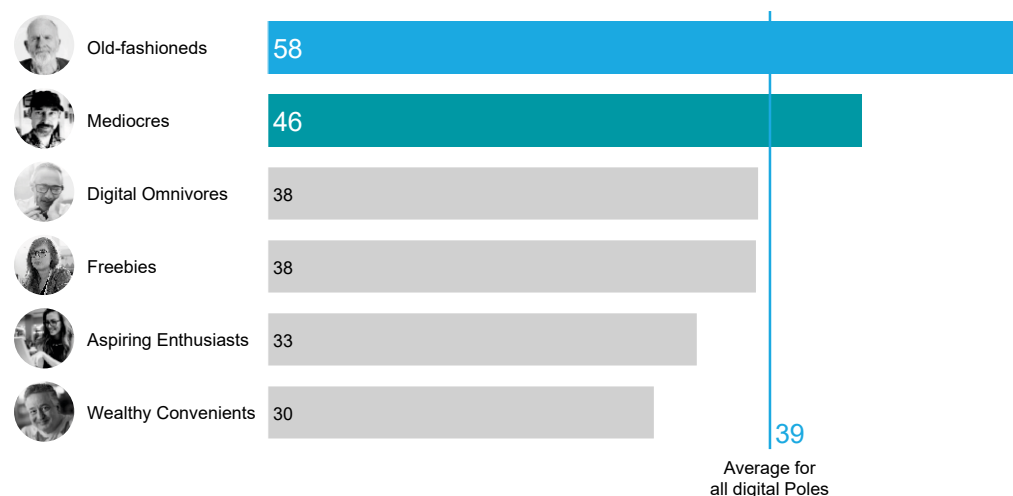
The more digitized segments of Poles are less satisfied with television services than *Old-fashioned*s and *Mediocres* (Exhibit 25). Over 40% of the latter two groups – and as many as 58% in the case of *Old-fashioned*s – are happy with what free TV has to offer. The other segments have low levels of satisfaction with free TV: In no case are more than 40% of them satisfied with the service provided. The reason for this dissatisfaction lies in their growing expectations, driven by increased competition from a new generation of broadcasters that have been digital from the word go.

Growing tendency to pay for additional services – Pay TV can leverage this

People are spending less on pay TV as they increasingly turn to other options. But there is some compensation. Viewers are more willing than ever to pay for extra services – and this is something that broadcasters can exploit. In particular, as many as 36% of pay-TV users would be willing to pay to be able to skip commercials. The second most popular extra would be the option to watch live TV on other devices, such as laptops or tablets (31% of respondents).

Exhibit 25

Percentage of respondents happy with free TV



SOURCE: McKinsey "Digital Poles" survey, 2018

Compared to 2016, Poles' willingness to pay for additional services has increased most for the option to use their smartphone as a remote control for the TV. Two years ago, this was one of the least popular services, with only 14% of respondents willing to pay for it; today that figure is 26%.

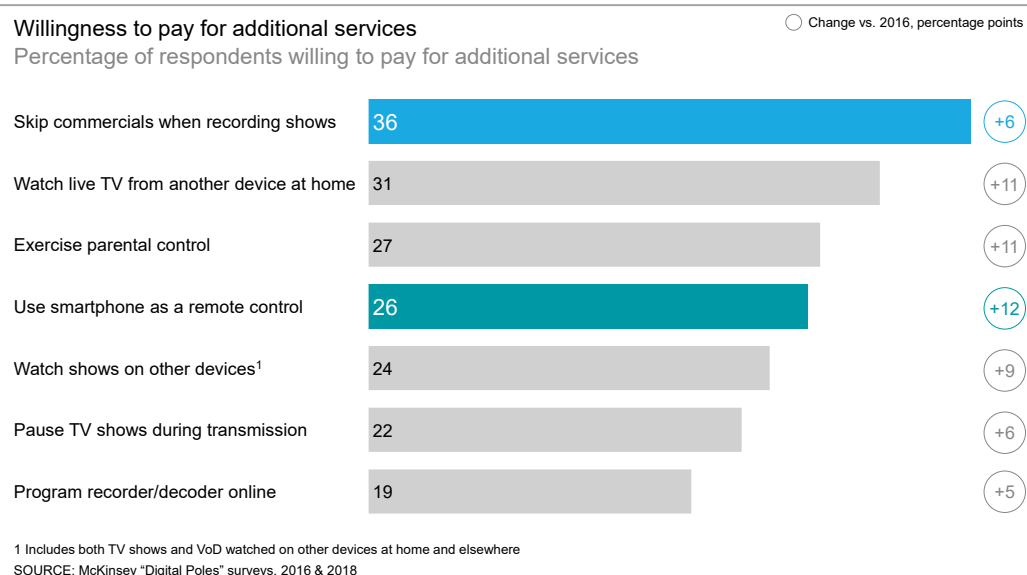
In fact, consumers' willingness to pay has increased for all categories of additional services compared to 2016, with 26% on average willing to dig deeper into their pockets if necessary (Exhibit 26). The wide availability of non-linear TV services may slow down the trend of consumers turning their backs on TV as such, but it is not expected to reverse this trend entirely.

Implications for the media market

The results of this year's study reveal that the importance of linear television is continuing to decline in favor of media consumption on digital devices. This has huge implications for broadcasters, who will need to offer more content and build the engagement of viewers on the Internet. In turn, advertisers need to use a wide range of media channels to achieve the necessary reach and build brand awareness. The proliferation of the media and the fragmentation of content consumption also makes it challenging for broadcasters to measure the effectiveness of their advertising, particularly how their advertising spend translates into sales.

The increased willingness of consumers to pay for media content gives some cause for optimism. However, this coincides with increased competitiveness in this segment of the market, as pay TV providers, local Internet broadcasters and foreign video platforms are all fighting for a piece of the pie.

Exhibit 26





Digital sources of information

Poles are increasingly turning to digital sources of data – Social media are now their main source of information

Compared to 2016, digital Poles' interest in digital sources of information has grown significantly. All digital sources of information have seen an increase in visitor numbers since 2016 (Exhibit 27). The role of the Internet has increased substantially – the biggest increase in user numbers has been for social media and blogs, but websites have also grown.

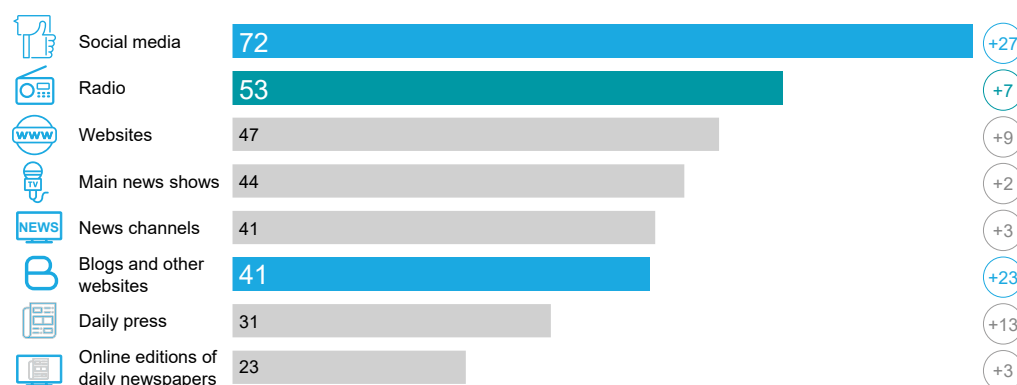
Today, most digital Poles (72% of respondents) turn to social media for information. Radio is no longer the most popular source, having dropped to second place, with 53% of respondents tuning in daily. Despite this, 75% of digital Poles still consider radio to be their most important source of information, with social media coming in fifth (65%; Exhibit 28). The situation of the daily press gives cause for reflection: People still prefer to turn to print editions rather than online versions.

Exhibit 27

Most frequently used sources of information

○ Change vs. 2016, percentage points

Percentage of respondents using the source at least once a day, 2018



SOURCE: McKinsey "Digital Poles" surveys, 2016 & 2018

Exhibit 28

Most important sources of information

Percentage of respondents who say the source is “very important” or “fairly important” for them, 2018



SOURCE: McKinsey “Digital Poles” survey, 2018

The strong position of social media as an daily source of information poses a challenge for publishers. It forces them to innovate in terms of how they reach their audiences and build engagement and loyalty, both online and offline. They can achieve these goals thanks to the increased popularity of mobile applications, as this is an area where they also lag behind social media.

Consumers who want to watch commercials are a potential source of monetization for information sites

People who consume information understand that, in exchange for free access, they have to agree to watch commercials. What is more, 41% of digital Poles would be willing to watch even more commercials in exchange for using information services free of charge. Additionally, one in four respondents would be willing to pay for access to information sources. *Digital Omnivores* lead the way here, with 31% saying they would be prepared to pay.

These two trends reveal a potential for further monetizing information – by increasing the number of commercials shown to users and at the same time giving users the option to avoid them completely for a fee. The fact that most users want to be able to check information whenever (61% of respondents) and wherever they are (55% of respondents) underlines the importance for traditional publishers of creating digital strategies.



Personal finances

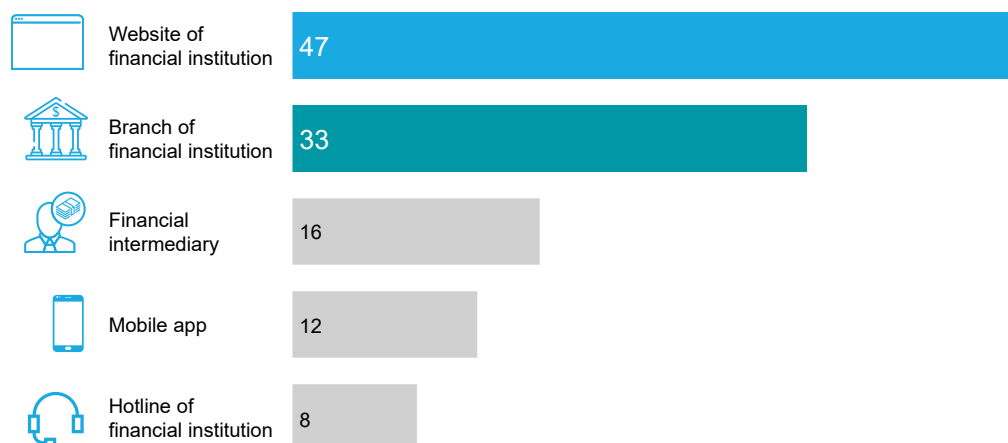
Digital Poles increasingly look online for information about financial services

When searching for information about financial services, Poles are most likely to turn to the websites of financial institutions (47% of respondents). This is more popular than visiting a bank or other financial institution in person (33%) or contacting a financial intermediary (16%, Exhibit 29).

Online channels are particularly popular with more digitized consumers. For example, *Digital Omnivores* use mobile apps to search for information about financial services twice as often as other users (Exhibit 30).

Exhibit 29

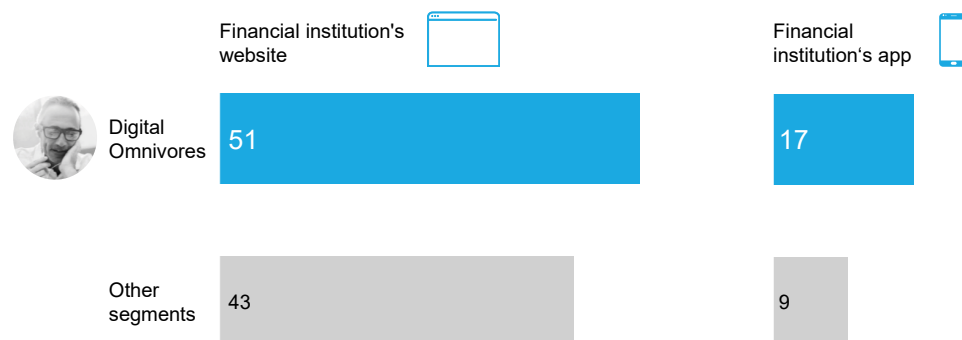
Sources of information about financial services
Percentage of respondents using the source



SOURCE: McKinsey "Digital Poles" survey, 2018

Exhibit 30

Sources of information about financial services Percentage of respondents using source



SOURCE: McKinsey "Digital Poles" survey, 2018

Poles use online financial services more often than they go online shopping

Some 25% of Poles in the survey have used financial services online, while only 20% shop online. Smartphones make using financial services easy. For example, 68% of Poles check their savings accounts on their phones at least once or twice a week. This shows that they are very happy with online financial products and put a great deal of trust in them.

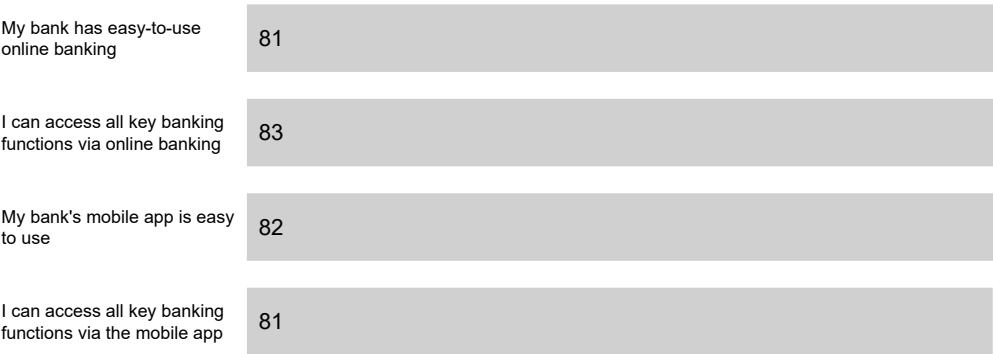
More than 80% of digital Poles are satisfied with the online financial services available (Exhibit 31). They are equally satisfied with the ease of using banking apps and the access to key banking functions that they have via the app or onbank's website.

As a result, trust in payment service providers is also growing. As many as 61% of Poles who make online payments are happy to trust non-bank financial service providers online and save their credit card details to online search engines.

Some 28% of digital Poles are happy to provide financial institutions with personal information (including their geolocation data, call log data, social media details and information about their driving style) in exchange for preferential pricing for financial services (Exhibit 32). The greater the level of encryption offered, the more likely they are to share their data.

Exhibit 31

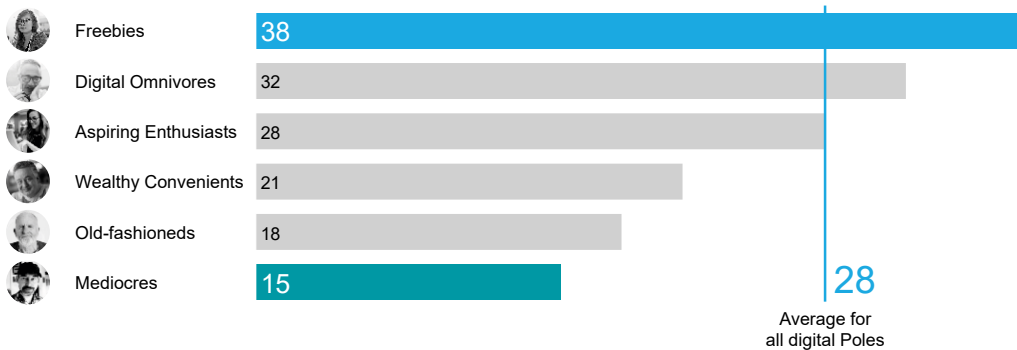
Satisfaction with online financial services offered by bank
Percentage of respondents who say they “definitely agree” or “largely agree”



SOURCE: McKinsey “Digital Poles” survey, 2018

Exhibit 32

Willingness to provide firms offering financial services with personal data
Percentage of respondents who say they would be “definitely happy” or “probably happy” to provide data



Average weighted answer to the question, “Would you be willing to provide firms offering financial services with the following types of data in return for a preferential offer for a financial product?”

[A] Information about your driving style in return for cheaper motor insurance

[B] Social media data (LinkedIn, Facebook) in return for a cheaper loan

[C] Geolocation data in return for a cheaper loan

[D] Call log data in return for a cheaper loan

SOURCE: McKinsey “Digital Poles” survey, 2018

As the level of digitization increases, so do customers’ expectations of solutions – especially more complex financial services

Poles use digital channels to search for financial products and to purchase them. This includes both simple and complex products. However, searches more often lead to online sales in the case of more basic products (Exhibit 33).

Around 30% of Poles use basic financial services online. The financial products accessed most often via the Internet are savings accounts/deposits (38% of respondents) and credit or debit cards (29%, Exhibit 34).

Fewer Poles use complex financial services – around 14%. This may be related to the less frequent use of mobile applications for complex financial services: Just 21% of Poles use mobile applications at least once or twice a month

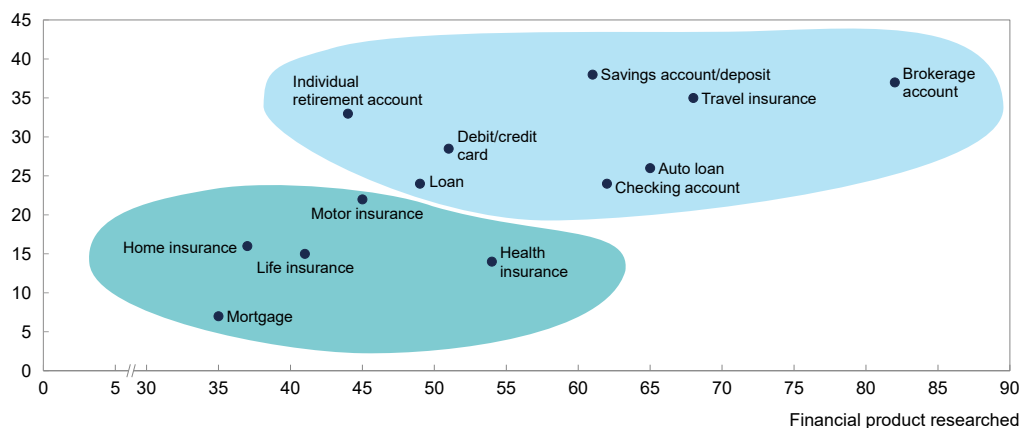
Exhibit 33

Use of digital channels to research and buy financial products

Percentage of respondents who have researched or bought a financial product through the website of the provider (insurance firm, bank, etc.)

Financial product bought

A Basic services B Complex services

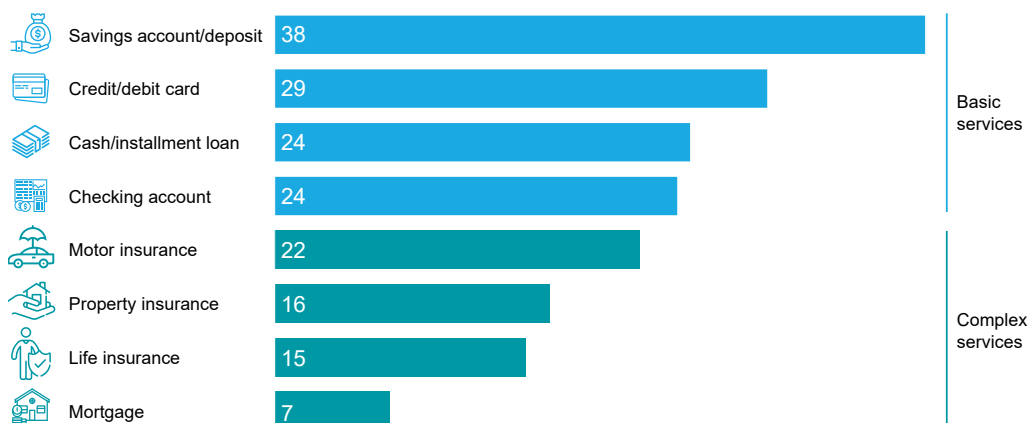


SOURCE: McKinsey "Digital Poles" survey, 2018

Exhibit 34

Use of digital channels to buy basic financial products

Percentage of respondents who have bought a financial product through the financial institution's website



SOURCE: McKinsey "Digital Poles" survey, 2018

for complex financial services, compared to 77% for basic financial services.

This trend applies to both more digitized and less digitized segments of consumers. For instance, just 27% of the highly digitized *Digital Omnivores* use a mobile application for complex financial services at least once or twice a month.

The level of satisfaction with the financial services available varies between the different segments of digital Poles. Interestingly, it is considerably lower for both the more digitized, youngest *Digital Omnivores* (72% satisfied) and the less digitized *Mediocre*s (73% satisfied, Exhibit 35). These results can be explained by the growing expectations of the youngest users and the increasing importance of user-friendliness for online solutions.

Exhibit 35

Satisfaction with financial services offered by banks
Percentage of respondents who say they “definitely agree” or “largely agree”



Average weighted answer to the question, “To what extent do you agree with the following statements about the services offered by the bank you use most often?”
[A] My bank has easy-to-use online banking
[B] My bank’s mobile app is easy to use
[C] I can access all key banking functions via online banking
[D] I can access all key banking functions via my bank’s mobile app
SOURCE: McKinsey “Digital Poles” survey, 2018

For the oldest users, dissatisfaction with online financial services may be related to these users’ lower level of digitization, their attachment to traditional financial solutions and the lack of information about how to use the services. Meeting the expectations of the most demanding groups will be a key challenge for companies – and one that they must overcome in order to maintain a high level of trust and satisfaction with electronic financial services in the future.





Chapter 3:

How can firms leverage the potential?

Consumer preferences are changing rapidly – Business operations need to keep up

Over the last two years, Poles from all the six segments have changed their attitudes to the digital world. They are more and more active on the Internet, more willing to try out new gadgets and technology, and more likely to pay for premium devices. In response to this new market situation, players need to change the way they create new products. In particular, they should consider doing the following:

- ***Introduce agile project management*** to create new solutions quickly and respond to changing client needs.
- ***Build strategic alliances with innovative organizations*** and companies changing the face of the market (startups, fintechs) to create new competences within their own organization.
- ***Employ “design thinking”*** to develop a deeper understanding of customer needs and create tailored solutions.

As the Internet affects more and more areas of our lives, the amount of data on consumers is growing, creating new opportunities for companies

More and more Poles are using smartphones, which are gradually push-



ing traditional cell phones off the market. Increasingly, Poles have broadband and Wi-Fi at home. The Internet has become a key part our lives, our go-to channel for problem-solving. The sheer volume of information we leave behind us on the Web creates unique opportunities for businesses. For example, they can:

- ***Use advanced analytics (AA) to learn more about clients than was ever possible in the past.*** With the help of this tool, companies can better tailor their offering to the needs of their customers and stop them from migrating to the competition. Key technologies driving advanced analytics are machine-learning and business applications based on artificial intelligence (AI).
- ***Automate decision-making*** on the basis of the data collected, making it possible to eliminate human error.
- ***Customize the offers and content*** that users see online, as most clients have their own devices.

Ease of use and speed of delivery are becoming the main factors in purchasing decisions

Price was previously the main reason for shopping online. This is now being replaced by convenience. However, consumers still go to bricks-and-mortar stores to look at products and try them out first. The best approach for companies is a multi-channel sales strategy. This allows companies to consider the entire purchase process and engage the customer more securely, combining the convenience of the online shop with the option of experiencing products hands-on in the bricks-and-mortar store. Retailers can make things even more convenient for customers by integrating Internet of Things (IoT) technology into their products, giving users an unprecedented level of control over devices.

The role of social media as a source of information is growing – Traditional media face new challenges

Social media have become the main source of information for digital Poles. Radio is still important, but it is used less often now. Traditional media are slowly giving way to digital media. As a result, companies need to build brand awareness by increasing their presence on social media and giving their followers high-quality content. A well thought-out social media strategy will create opportunities to attract new clients through “influence marketing”.

In fact, the growing role of social media and online content providers may change the overall shape of the media market:

- This trend is threatening traditional content providers, such as linear television, who will have to deal with falling audience figures and ratings.
- Advertisers will be forced to seek out more and more diverse ways of reaching individual customer segments. With increasing data on online users available, advanced analytics will become possible, enabling campaigns to be more accurately targeted. This will boost the role of suppliers of advanced management tools and push up the value of advertising space and advertising time – two concepts that take on a new dimension in the digital world.
- Content producers can become largely independent of their traditional clients, creating content for a wide range of providers in the global market. In addition, the growing range of content will create pressure to improve quality.

Consumers are happy to share their data with websites, but they don't trust service providers so much

Poles' trust in websites is growing, and they are not afraid to share their personal data with them. But at the same time, their willingness to share data with service providers such as Internet suppliers, TV companies and the like has declined. The main reason why they are happy to share their data with some sites is convenience. To encourage this attitude among consumers, companies should take action to improve customer relations. For example, they can try the following:

- Offer clients direct access to the data held on them – this will help rebuild trust and create the basis for a long-term relationship.
- Invest over the long term in building their image as a responsible, trustworthy organization that adheres to the highest standards of ethics and security – this will pay dividends in the form of recommendations from clients that trust them.
- Ensure the highest standards of data protection – this will help them avoid IT security scandals that could seriously damage their image.

Flexibility and the ability to adapt quickly to changes in consumer behavior are the key to companies' success. As digitization continues apace, these two qualities will enable firms to leverage the potential of the e-commerce market in Poland. In particular, focusing on data analysis to ensure that Internet services are easy to use can help players increase their share of online sales – and drive the strong development of this sector of the economy.

Endnotes

1. McKinsey Digital Poles survey, 2016
2. Both the McKinsey Digital Poles surveys (2016 and 2018) were carried out using CAWI (computer-assisted web interviewing) with a representative group of 1,500 people aged 15-64, living in Poland, with access to the Internet at home or work. Questions concerned ownership of digital devices, time spent using these devices, money spent on digital services, opinions about technology, the media and society, financial services, personal data and its safety on the Internet, sources of information used and demographic data. In addition, respondents were randomly divided into three groups and each group assigned a set of questions from one of three categories: product search and purchase; devices used for communication; and the use of various types of video services. We based the analyses presented in this report, including the segmentation using k-means clustering, on responses to the survey
3. McKinsey Digital Poles survey, 2016
4. The total time of using the Internet on devices such as smartphone, computer / laptop, tablet, smart TV (source: McKinsey Digital Poles survey, 2016 and 2018)
5. McKinsey analysis based on Euromonitor International, Forrester Analytics: Online Retail Forecast, 2017 to 2022 (Eastern Europe), available market data, press releases and expert interviews
6. Based on: [1] Share of individual digital groups of Poles among the population aged 16-64, using the Internet [2] Share of particular digital groups of Poles in the time spent using the Internet via a mobile phone, desktop computer, laptop and smart TV [3] Share of individual digital groups of Poles in expenditures on hardware / software, electronics, furniture, decorations, household appliances and mobile phones (source: McKinsey Digital Poles survey, 2018)
7. On the basis of the percentage of online shoppers and expenditures of individual digital groups of Poles for computer hardware / software, electronics, furniture, decorations, home appliances and mobile phones source: McKinsey Digital Poles survey, 2016 and 2018)
8. McKinsey Digital Poles surveys, 2016 and 2018
9. Central Statistical Office of Poland, Społeczeństwo informacyjne w Polsce w 2015 r.
10. Central Statistical Office of Poland, Jak korzystamy z Internetu?, 2017
11. McKinsey Digital Poles survey, 2016
12. McKinsey analysis based on Euromonitor International, Forrester Analytics: Online Retail Forecast, 2017 to 2022 (Eastern Europe), available market data, press releases and expert interviews

13. McKinsey analysis based on Euromonitor International, Forrester Analytics: Online Retail Forecast, 2017 to 2022 (Eastern Europe), available market data, press releases and expert interviews
14. Offline communication includes telephone calls and text messages (source: McKinsey Digital Poles survey, 2016 and 2018)
15. Perez, Sarah. Report: Smartphone owners are using 9 apps per day, 30 per month. Accessed online at <https://techcrunch.com/2017/05/04/report-smartphone-owners-are-using-9-apps-per-day-30-per-month/?guccounter=1>
16. Dogtiev, Artyom. App Download and Usage Statistics. Accessed online at <http://www.businessofapps.com/data/app-statistics/>
17. Free TV users are respondents who ticked “free terrestrial television” in answer to the survey question, “Which of the following services do you use in your household?” (source: McKinsey Digital Poles survey, 2016 and 2018)

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