

Global Intelligence

Five Commerce Imperatives for Marketers





Introduction

Five Commerce Imperatives for Marketers

Changes in customer shopping behaviours are creating an opportunity for brands to redesign their approach to customer communications. Across multiple categories, e-commerce is the main driver of growth and it is not likely that this will slow down. Regardless of your department, whether marketing, sales, distribution or finance, you need to consider the impact of commerce on your bottom line.

Marketers have access to more data than ever before to optimise their media, new channels are being introduced such as self-serve marketplaces, and the share of online activity with commercial agreements continues to increase. Younger consumers are now discovering brands on e-commerce platforms for the first time and the journey from awareness to purchase can be short and direct. New technology means that you can learn about a product, consider a brand and buy all in one go from a single Instagram post.

Sales teams are facing similar opportunities as commercial agreements become more digitised. As retailer margins are increasingly at risk and sell-through commitments are becoming more challenging for brands, those digital components of your joint trade deals can be a main factor driving growth.

We are now seeing the convergence of Marketing and Sales and there are five things that we should collectively focus on to deliver Commerce growth.

Break down silos

No customer journey is the same, and this requires brands to rethink their organisations.

Leverage the retail experience

To build a joint growth plan with a retailer, you need to evaluate their e-commerce experience in line with customer preference.

Identify sources of growth

With Amazon continuing to put commercial pressure on brands to 'sell-through', you need to find other areas of growth.

Exploit retailer media

Within each e-retailer environment there are multiple ways to improve your media investments, whether direct or through self-serve marketing solutions.

Enhance your partnerships

Data and tech advancements provide an opportunity for seamless integrations between brands and retailers.

Break down silos

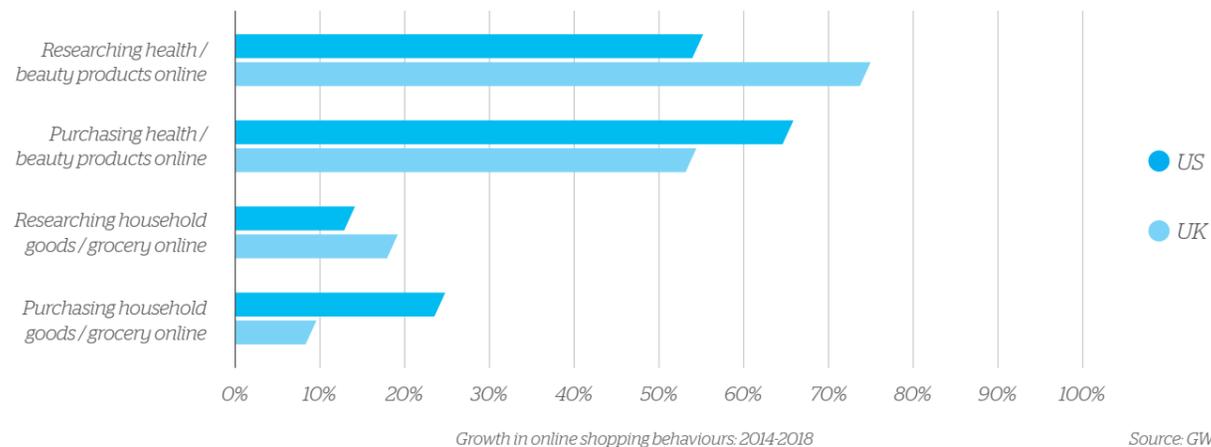
No customer journey is the same, and this requires brands to rethink their organisations.

Influencing a customer's decision to buy your product is not as straight forward as it used to be. Historically, when a customer was considering which brand to purchase, they turned to the shelf in the bricks-and-mortar shop and prioritised pricing, packaging and brands they were familiar with. This has expanded to include the entire internet, which means 'the shelf' has become infinite. Building the optimal consumer shopping experience has become the most important battle ground.

When a customer is deciding whether or not to buy, they consider brands in many different ways. This could be through online research, offline advertising, in-store promotions or from social influencers. The only thing that is certain is that you cannot control how a customer gathers information about your product - no customer's path to purchase is the same.

“ We've seen a clear increase in consumers using the internet to both research and purchase products online ”

Changes in online shopping behaviours



While it varies by market and by category, we've seen a clear increase in consumers using the internet to both research and purchase products online, as shown in the chart above.

GlobalWebIndex research shows that in the health/beauty category, customers are purchasing online more often than researching. For example, 31% of internet users have purchased health/beauty products in the UK but only 21% have researched, indicating that they are more likely to be influenced offline or to have already decided which product to purchase, given their loyalty to a brand or influence from other channels. This means that the physical point of sales needs to be a physical point of experience, moving away from the traditional influences on the shelf to a more interactive opportunity.

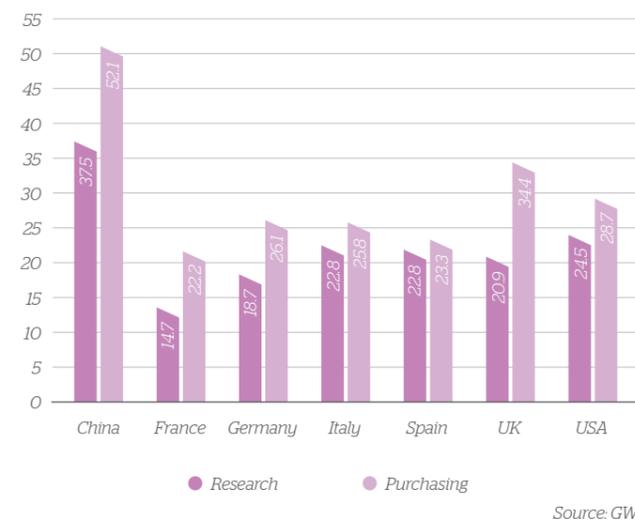
It is clear that in-store remains a key source of brand discovery across all these markets - being especially effective in the UK [24% of internet users] and US [30%] according to GWI. In-store promotions are actually more effective than pre-roll video ads and updates on brands' social media pages, showing how the physical store itself has a role to play in marketing/advertising strategies. This still varies by category. Almost half [46%] of shoppers that Dunnhumby surveyed claim to still look for food inspiration when in-store, and only 3% of shoppers surveyed considered online reviews and comparison sites to be the most influential factor in their last purchase of a new food product or brand.

However, in categories where customers are researching online, they are now more likely to go straight to Amazon [54% of searches] rather than Google [46% of searches], compared to 2015 when it was the other way around, according to Jumpshot data.

Shopping behaviours: researching vs. purchasing Automotive



Groceries & household



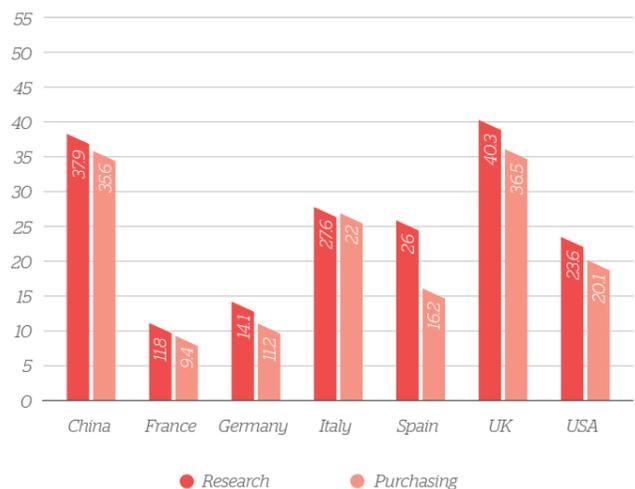
“ Integrating your online and offline sales data to optimise your marketing efforts can drive as much as 4x more sales ”

This creates even more complexity now that the large marketplaces are playing in the 'brand awareness' space and are best suited to drive directly to sale. Aside from their paid advertising solutions, the marketplaces little opportunity to influence a customer's consideration in those situations, especially if they prioritise their own products and own all the data.

It's clear that every situation is different and that brands need to structure themselves to meet customer needs, throughout the path to purchase and in a consistent way both online and offline. Criteo reports that integrating your online and offline sales data to optimise your marketing efforts can drive as much as 4x more sales. This integration should include your direct sales and your indirect sales through retailers or marketplaces.

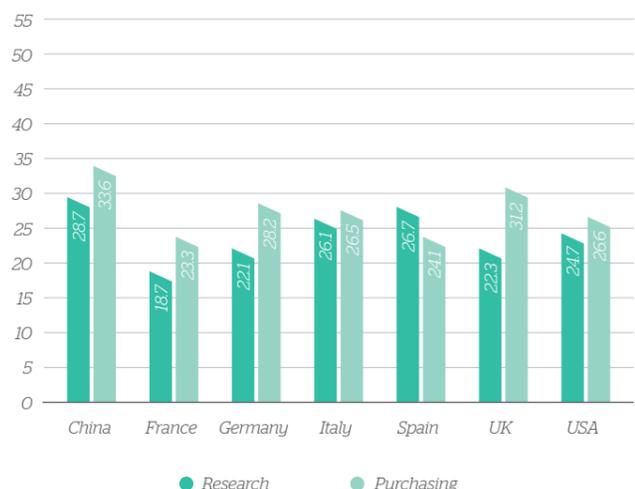
Shopping behaviours: researching vs. purchasing

Financial products



Source: GWI

Healthy & beauty



Source: GWI

What marketers should do next

- Leverage specialists from Marketing & Sales to inform your respective strategies
- Develop cross functional models to influence your overall budget allocations
- Commercial investments with retailers are starting to blend with media investments and need to be transparent
- Until you optimise your online and offline experience, any growth from comms is at risk of being lost



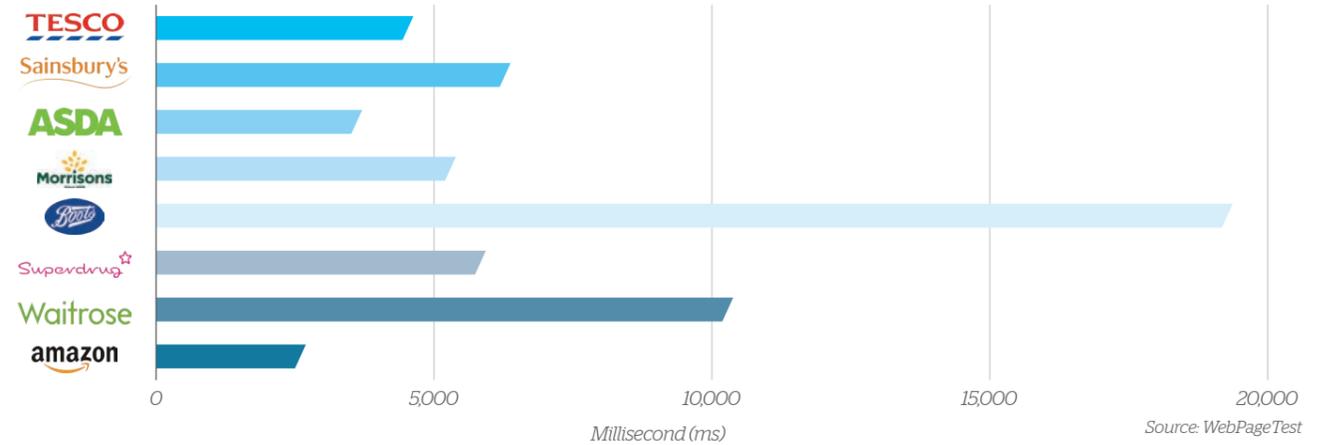
Leverage the retail experience

To build a joint growth plan with a retailer, you need to evaluate their e-commerce experience in line with customer preference.

Customers now expect a connected shopping experience. They want consistent information regardless of where they decide to purchase a product, and value things like quick and easy checkout over the way a brand makes them feel. In the UK, for example, shoppers favour convenience. They are 36% more likely to value next-day delivery and 84% more likely to value click-and-collect options over the possibility of being entered into competitions. However in China consumers are 30% more likely to value competition entry over other shopping experiences [source GWI].

According to a study GWI carried out in July 2018, more than three quarters of internet users in the UK and US that month had added items to their online shopping cart, but hadn't complete the purchase on that device. Consumers are more likely to abandon a checkout when shopping on mobile, highlighting the continued need

Retailer site load time



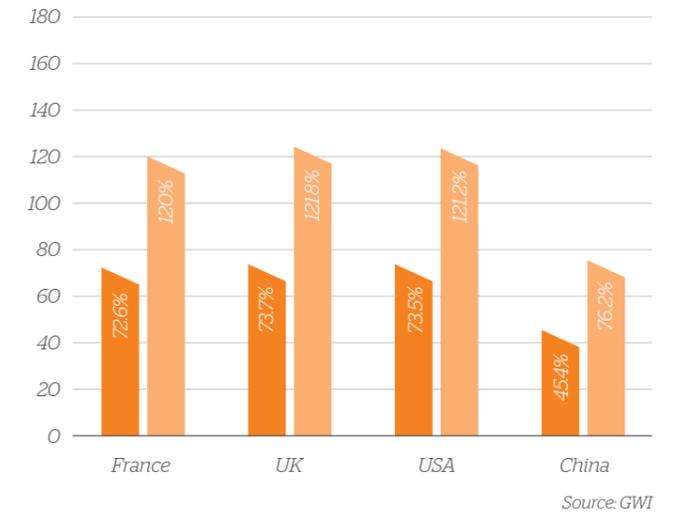
for mobile optimisation, regardless of mobile's direct reported impact on sales. Page speed is a big factor in customer abandonment, but so too is a retailer's ability to rank in Google.

Another drive of abandonment in the check-out process is ease of payment. A quick and easy check-out process is one of the most effective ways to encourage someone to buy something online. In addition to checkout, having a clear returns policy, free delivery options and the option to collect loyalty points are also key drivers of purchase.

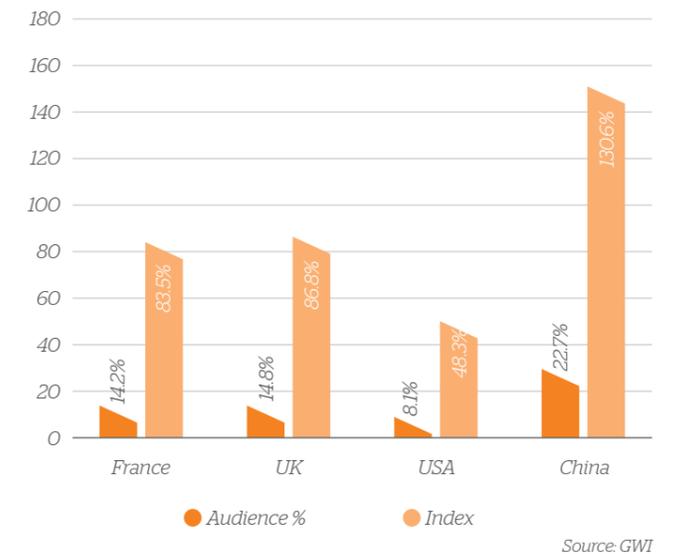
Device plays an important role when customers are deciding where to purchase. In Germany, for example, 44% of customers have researched a product on their mobile but only 27% have purchased. That is compared to 69% of customers that have purchased a product on a PC. This phenomenon is common across the US and Europe; however, China is predominantly mobile for research [73%] and purchase [71%].

Even within mobile, there are variances between web and app. In the US, apps account for over 70% of mobile sales, but only 43% in the UK. In the UK and US, shopping apps

Retailer services that increase likelihood of purchase
Free delivery



Entry into competitions



have a 3x higher conversion rate than mobile web, according to Criteo research. Globally, there has been a 22% increase in app transactions year on year.

Customers also want their experience to be personalised. Dunnhumby has seen a 7% category sales uplift measured in-store and online when using personalised advertising. At Tesco they have seen an increase in conversion rate when customers receive personalised messaging. Here are some key examples:

- **Have You Forgotten?:** 40% of customers go on to purchase and there is +1.5% weekly sales uplifts
- **Relevant promotions:** 30-50% e-mail open rate and there is +0.5% weekly sales uplifts
- **Healthier Alternatives:** 10% of customers chose alternatives; Greatest engagement from loyal Tesco customers, Pensioner and Older Adults segments
- **Personalised Xmas lists:** 92% conversion rate; 4.8% sales uplift; Helping to retain customers

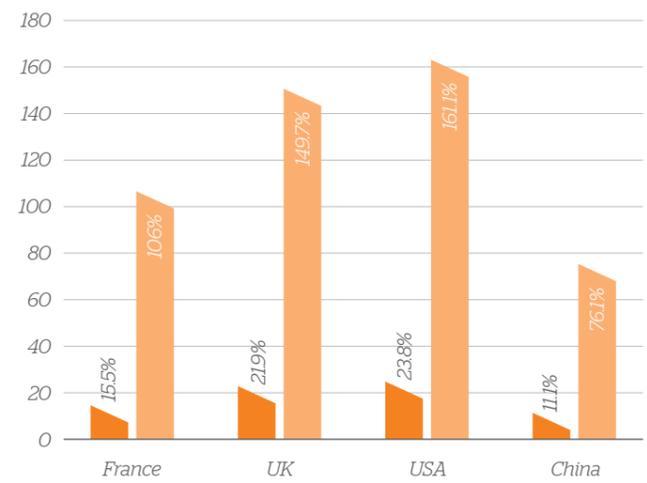
“
In the UK and US, shopping apps have a three times higher conversion rate than mobile web
 ”

Retailer services that increase likelihood of purchase



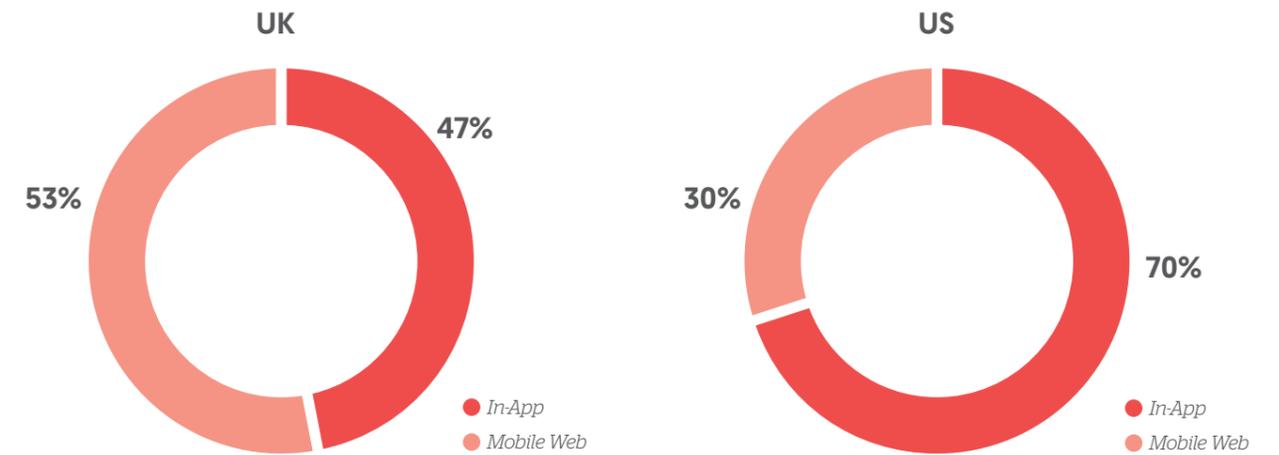
Source: GWI

“Guest” check-out (with no sign-in required)



Source: GWI

Share of sales within app



Source: Criteo

What marketers should do next

Understanding the likelihood of your retail partners, or your direct to consumer solutions, to deliver a quality experience will help you prioritise your joint growth opportunities with retailers. This is how to do it:

- Identify within a market how customers are navigating between devices and the experience each retailer provides via mobile web or app
- Check a retailer’s page speed using tools like Google’s PageSpeed Insights
- Analyse the checkout process and delivery options each retailer provides
- Understand a retailers CRM programme and their personalisation solutions



Identify sources of growth

With Amazon continuing to put commercial pressure on brands to 'sell-through', marketers need to find other areas of growth and develop profitable relationships with retailers.

“
With all the challenges of the high street, retailers need to be open to flexible partnerships to maintain margin targets.
”

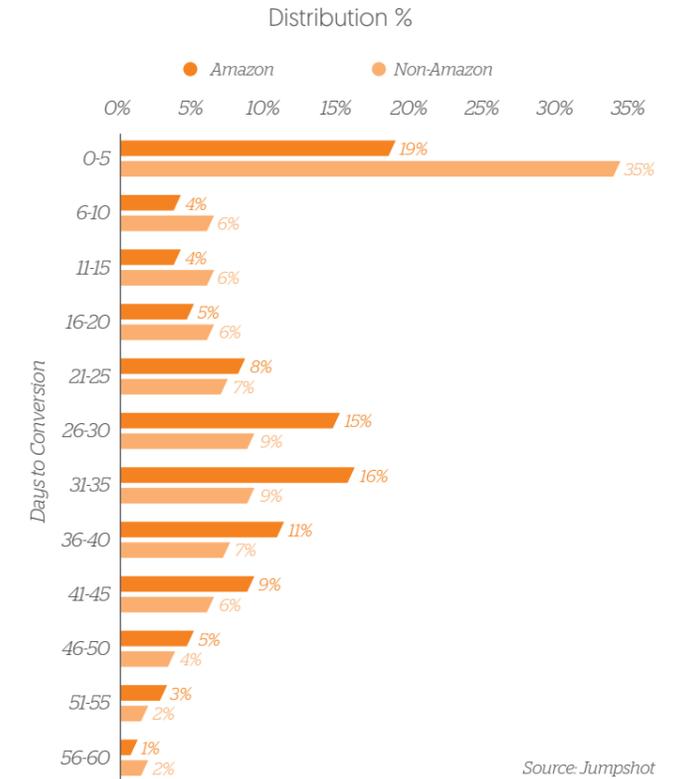
The commerce landscape remains fragmented with large national retailers trying to build strong e-retail platforms to compete against global players such as Amazon. From Zenith's analysis of Jumpshot data, we have also seen the rise of e-commerce pure players such as Chewy.com which already represents 33% of Petcare conversions amongst the top retailers in the US. These pure play e-commerce companies have the potential to quickly build customer solutions and should be considered in the overall commerce mix due to their agility. In the US, Amazon's growth is slower than total e-commerce growth by category, which means there is potentially more flexible growth with other

partners. With all the challenges of the high street, retailers need to be open to more flexible partnerships to maintain their margin targets.

If a majority of your sales are coming through one retailer, creating the right partnerships with them is essential to drive category growth. Using your individual retailer assessment, you can better define where to invest. This should not be done in isolation: you need to compare each retailer for context and consider your profitability with each.

By analysing Jumpshot data, we know that more customers are starting their product search on Amazon. This means there is a significant period of

Time from product view to purchase



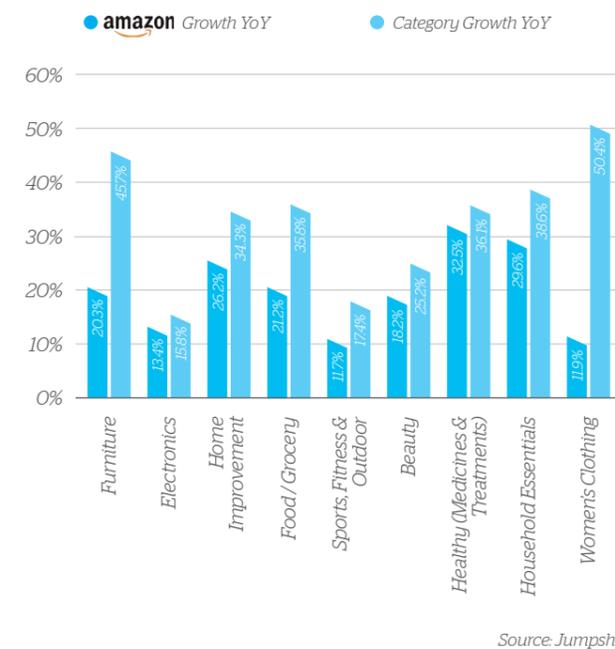
time from when a product is added to a basket to when they convert. Depending on the category, this can be between 30 and 40 days, this is a key period where your efforts to drive brand consideration could pay off.

One theory about why this latency is occurring is that people are keeping items in their baskets while waiting on price drops. Essentially you add a bunch of things to your basket and see if the price changes or deals are released. People are also using their baskets simply as a holding place for products you want to buy, while you wait for the right moment, such as pay day. Therefore, marketers must monitor their price versus competitors.

Of the top 22 retailers in the US, Amazon has an 80%+ share of purchases and customers are shopping with them more often [5.33 purchases per shopper in July vs. 2.37 on Walmart]. Looking at ChannelSight's data, we also know that Amazon is the most selected retailer within their Buy Now solution (72% of revenue). It has recently been reported that they represent closer to 50% of e-commerce revenue, which confirms that there is a substantial amount of sales coming from outside the top 22 retailers as well.

Customers are notably loyal in where they shop online, and in FMCG categories they are least likely to shop

Growth of Amazon sales vs. category



Identify sources of growth

around. Looking at UK cross-visitation from Jumpshot's data in the electronics category, we can see that 20% of customers that have looked at products on Tesco have also looked at products on Currys. However, in the beauty category we don't see as much cross over - just 3% of customers that viewed products on Amazon also looked at beauty products on Superdrug. Similarly, in the food category, there is limited cross-visitation happening amongst grocers. Of those customers that viewed products on Tesco, only 1.1% also viewed Waitrose.

Since you can't necessarily influence a customer's preferred retailer, or way of buying, you need to focus on communicating your products' key points of differentiation to influence what they add to that basket and convert.

What marketers should do next

Start with your own data to inform your retailer efforts:

- Share of sales across your portfolio by product or range
- Profitability of each product and its share of basket at a retailer
- Using where to buy or buy now to identify retailer preference
- Evaluate your competitive positioning (ie. Price, assortment, stock)

At a minimum you need to have the basics of a partnership in place:

- Understanding of retailer product page templates and requirements
- Make sure that you provide robust product information
- Include more than one image of your product
- Increase the number of ratings & reviews

For more advanced content integration:

- Build bespoke connections with retailer CMS or PIM systems for ease of update
- Update your commercial agreement to allow for flexible ways of working
- Identify key contacts at a retailer to discuss DMP or personalisation integrations
- Incorporate clear terms for more agile ways of working



Exploit retailer media

Within each e-retailer environment there are many ways to improve your media investments, whether directly or through self-serve marketing solutions.

With the launch of self-serve marketing solutions to manage your on-retailer inventory and promotion, such as Amazon Advertising, traditional retailers need to make it easier for brands to do the same with them. However, traditional commercial agreements do not offer transparent, robust data/reporting or innovative digital solutions for brands. Partnerships with brands represent a key opportunity for retailers to win back share of commercial investments and for brands to drive growth.

In order to get the most value, brands need to skill up and align their marketing and sales teams to clarify their data requirements to ensure that their marketing campaigns are considered within agreements and measurable through to sale on retailer platforms.

Amazon's advertising solutions are forcing brands to reconsider how they budget for e-commerce and whether that investment should come from marketing or

sales. Amazon offers multiple ways to promote your brand, including Sponsored Products and display through the Amazon DSP. Search is most often the way that customers are getting to product pages (86%), rather than browsing and navigating through its category pages (14%).

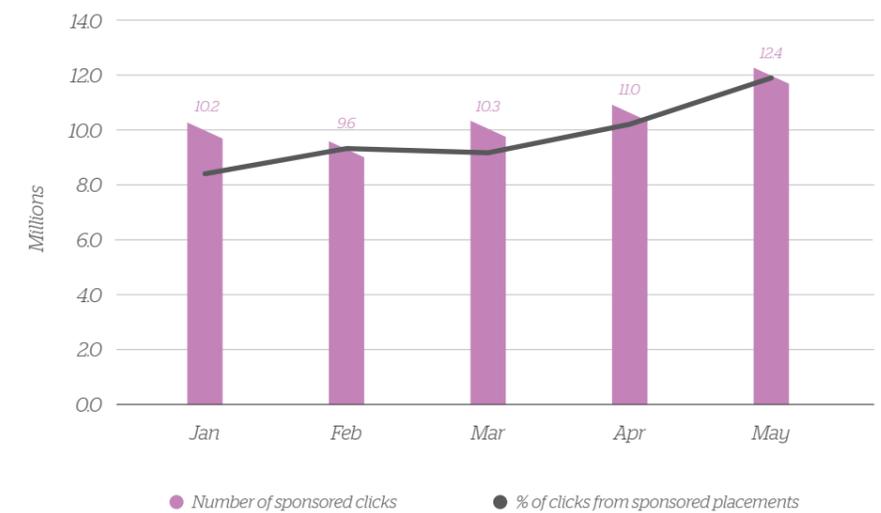
Analysis of Amazon search results shows that 20% of clicks come from the top row, with a small number of clicks coming from the second page. To date, sponsored listings remains at only 10% of total clicks from the search results. Clicks from Amazon's sponsored product placements have increased 17% since the beginning of 2018 and this will only fuel competition for those lucrative top positions.

Within the makeup category, we identified that the share of product views from paid placements in the US was as high as 16% during the holiday season, vs a peak of 4% in the UK. Of the top five brands in the US, Maybelline New York drove almost 50% of the paid clicks, while its organic conversion rate was lower than Covergirl. This demonstrates a need for both brands to balance their organic optimisation and their investment in sponsored products. Mascara is one of the top driving keywords of conversions in make-up - identify how best to demonstrate your right to own that keyword and customer experience.

Brands will keep increasing their investment as the competition increases, which is why it's important to measure incremental sales and set thresholds for profitable investment.

Amazon is increasing focus on sponsored ads

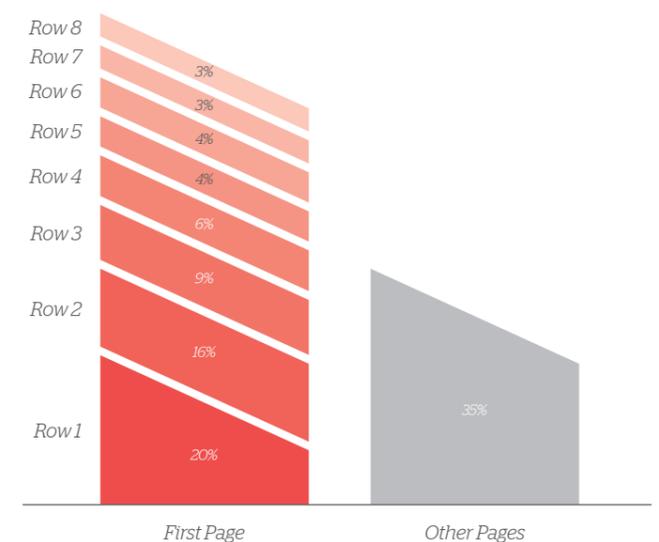
Amazon Product Views from Sponsored Placements



Source: Jumpshot

Amazon search result placement is vital for product views

Share of Product Views by Amazon Search Page Results



Source: Jumpshot

Exploit retailer media

Whilst the solutions offered by Amazon are appealing and typically more transparent than the media offered within retailer commercial agreements, there are significant efficiencies to be had in those direct agreements. Here are a few examples where brands and retailers can partner together to drive growth.

Leveraging CRM propositions

Most retailers have robust customer databases that can be used to personalise messaging to customers. When retailers offer inclusion of a brand in an email, make sure that the audience that email is being sent to is a loyal customer of that brand, or has a propensity to buy that category.

Integrating with retailer media

Retailers spend a lot of money on media, especially during key shopping periods such as Christmas or Valentine's Day. Instead of competing with them, leverage their increased visibility by ensuring your products are incorporated in their messaging, or that you have high visibility on their category pages. As an example, you can co-invest in shoppable solutions and jointly test their performance.

Elevating paid search through co-op investment

Retailers dominate paid search. Identify where you have the most profitable commercial agreement, and invest with a retailer to ensure your product has high visibility or where there is an opportunity to collectively drive category growth and share of your product within shopping results.

Traffic driving initiatives

Implement Buy Now or Where to Buy solutions on your brand website or from branded media activity. Direct your customers to your product pages where they are most likely to buy from, and consider this when negotiating your commercial agreement. For example, agree a % of your own traffic to direct to a retailer in return for data. The higher the traffic to your product, the more likely you will be included in their retargeting initiatives (ie. DPAs on Facebook).

What marketers should do next

- Make sure you have a clear understanding of your current 'media' investment with each retailer
- Develop testing scenarios for measuring incrementality
- Consider co-op search campaigns during key category moments
- Competition within Amazon will continue to increase, don't become fully dependant on that growth.



Enhance your partnerships

Data and tech advancements provide an opportunity for seamless integrations between brands and retailers.

“
There is a bright future for 2nd party data relationships and the development of joint solutions that bring growth.
”

As a result of GDPR, most companies cleaned up their data, or at least have a better understanding of its source and components, and that sets the foundation for better customer communications. First party data is the most valuable for brands, and can be an excellent base to build lookalikes or propensity models from. There is a bright future for second party data relationships and the development of solutions that bring partnership growth. Beyond audience insights and targeting, there is an opportunity to partner through technology such as DMP integrations or click through automation to preferred destination based on shared data.

Digital trade media needs to become automated and the data associated with these agreements needs to be transparent, in the way that digital marketing has evolved. Here are a few potential ways that brands and retailers can work together to drive growth in the future.

Connecting communications to commerce

In the future brands will break down the silos between the marketing and sales teams without isolating e-commerce as a third silo. This includes negotiating for more real-time retailer sales data to enable marketing modelling against total sales. Additionally, enabling retailers to make more informed targeting decisions and bid strategies based on your audience insights, product priorities and campaign timings. At minimum, brands and retailers should welcome third party Buy Now technologies, such as ChannelSight, to drive traffic from brand campaigns and provide sales back on that traffic.

E-commerce intelligence for B2B

To enable better ways of working and a more aligned approach to retailer relationships, brands can use internal and external data to develop tools that enable sales teams to have more informed discussions with retailers. This includes solutions that enable real time optimisation rather than set yearly agreements such as competitive pricing alerts.

Stock and price feeds on brand sites

An evolution on the current Where to Buy or Buy Now technologies is to include stock and pricing information, to ensure that customers are able to find the nearest store where a product is in stock or where they can find the best price. You may require a feed aggregator considering most retailers use different feed providers, but the value back to a customer experience is worth the investment.

Second party audience segments

As DMP or customer data management solutions evolve, there will be an opportunity for brands and retailers to create second party audience segments to target jointly. As an example, if both parties are utilising the same DMP, and have up to date privacy policies of course, couldn't they each make their targeting more relevant?

Machine learning

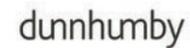
Using machine learning or artificial intelligence to further relevant customer experiences is a huge opportunity for brands. How can you provide solutions to be seen as a category leader? For example, we have worked with Coty to create a product recommendation app called Fragrance Finder on Boots.co.uk. This same logic can be used to develop chat bots or recipe solutions for food brands. This can also lead to potential 2nd party data opportunities with non-competitor products focusing on creating moments within a category.



Our Commerce Imperatives Partners



GlobalWebIndex is a market research company headquartered in London that provides audience insight across 44 countries to the world's largest brands, marketing agencies and media organizations. The company maintains a global panel of more than 22 million connected consumers, which it leverages to create over 25,000 data points on the behaviors and perceptions of internet users around the world. Clients can gather in-depth insights into audience behaviors, perceptions and interests through a combination of survey and analytics data.



dunnhumby is the global leader in Customer Data Science, empowering businesses everywhere to compete and thrive in the modern data-driven economy. We always put the Customer First. Our mission: to enable businesses to grow and reimagine themselves by becoming advocates and champions for their Customers. With deep heritage and expertise in retail – one of the world's most competitive markets, with a deluge of multi-dimensional data – dunnhumby today enables businesses all over the world, across industries, to be Customer First.



Jumpshot is the only company that unlocks walled-garden data to empower marketers to target and expand their customer base. Our real-time, global panel of 100 million devices tracks 5 billion actions a day to deliver insights into online behavior from every consumer action. We report on behavior with precision and detail, capturing every aspect of a click and purchase. We provide key insights into how specific audiences behave throughout the entire digital ecosystem, using real consumer behavior to inform marketing strategies and help quantify the impact of campaigns.



ChannelSight's leading Where to Buy technology offers a fast, frictionless digital path to purchase for consumers enabling brands to generate new revenue streams from all digital content and provide a leading online experience. Integrating with content across all digital channels, ChannelSight gives brands the capability to funnel consumers with high purchase intent to a selection of retail partners to complete their purchase instantly. ChannelSight technology empowers brands with the ability to identify what markets, brands, retailers, channels, campaigns, creatives and product SKUs are having the biggest impact on sales.



Criteo [NASDAQ: CRTO] delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 2,500 employees in more than 30 offices across the Americas, EMEA and Asia-Pacific, serving over 14,000 advertisers worldwide and with direct relationships with thousands of publishers. For more information, please visit www.criteo.com.

About Zenith

Zenith is The ROI agency. We blend data, technology and brilliant specialists to scout out new opportunities, solve complex challenges and grow our clients' businesses. We pursue a new perspective and deliver a new kind of ROI. We approach everything with an inventive spirit and rigorous mindset. We have over 6,000 brilliant specialists across 95 markets. We are experts in communications & media planning, content, performance marketing, value optimisation and data & analytics. Globally, Zenith works with some of the world's leading brands including Coty, Daimler, Electrolux, Kering, Lactalis, Nestlé, Nomad Foods, Oracle, Perrigo, RB, SCA and 21st Century Fox.



Zenith
The ROI agency