Profitero

bobsled | PACVUE

NOW ON

Join the slack network for Q&A:
cutt.ly/commerce_live

The 2020 eComm Organizational Benchmark Report

6 ways companies are shifting their
organization, hiring and investments to
win in an omnichannel world

Presenters:

Todd Szahun
SVP, eCommerce & Emerging Retail Insights,
Kantar

Sarah Hofstetter
Director on the Board of Campbell Soup
Company and Profitero Special Advisor
@Pezmeister1

3 topics we will cover today

1

WHY eComm deserves more attention than ever in light of world events

2

HOW ready and prepared are brands for eCommerce, really?

3

WHERE should brands focus investments and resources in order to win?

Why care? Why now?

We have been catapulted into hyperdrive

Increase in eCommerce sales on March 12 through March 15

Online orders from full-assortment grocery merchants (BOPIS & delivery)

- 210.1%
- 151.1%

BOPIS orders of all kinds (grocery and non-grocery)

- 111%
- 82.8%

● Dollar volume growth   ● Growth in number of orders

Profitero | KANTAR

The opportunity is high but so is the risk

- **What experience will consumers have as demand shifts?**

- **How ready is your supply chain?**

- **How ready are your teams?**

- **How ready is your data?**


Washington Times

Amazon 'out of stock' as coronavirus panic buying surges

"You will notice that we are currently out of stock on some popular brands and items, especially in household staples categories," Amazon said ...

14 hours ago

eCommerce readiness requires a holistic strategy

"eCommerce Organizational Readiness"

STRATEGY

TECH & DATA

PEOPLE & ORG

SKILLS & KNOWLEDGE
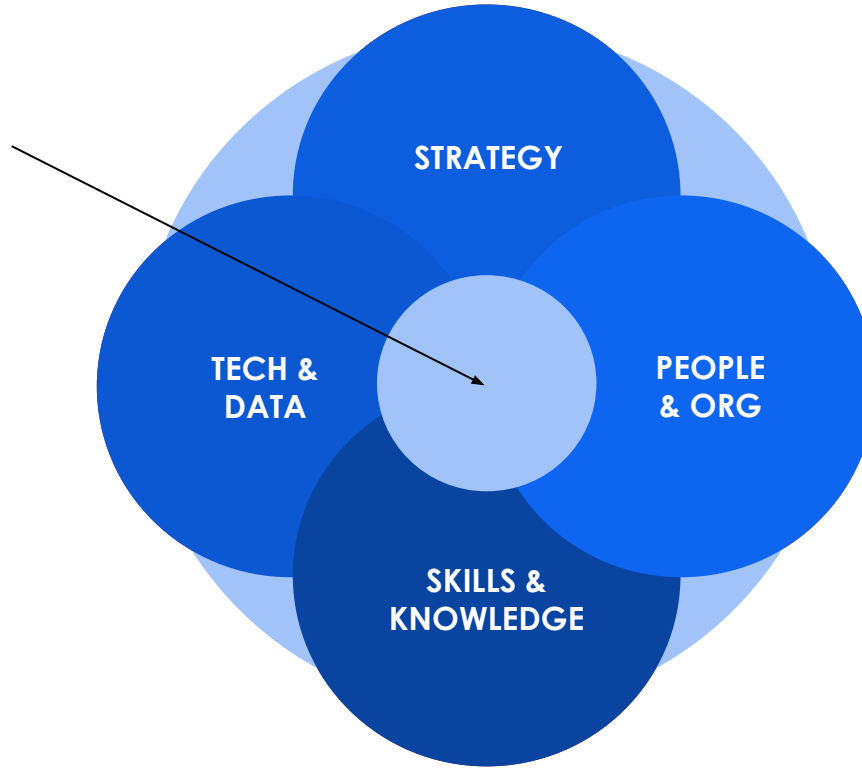
Profitero | KANTAR

Profitero and Kantar conducted an online survey of brand manufacturers to determine their top organizational priorities, challenges, hiring plans, and more as they relate to eCommerce

September to December 2019

200 respondents globally across multiple categories

Maturity curve is accelerating, and brands aren't ready

More complex
Brands are feeling the burden

Siloed
Job roles & goals are unclear

Profitability & supply chain are the biggest challenges cited

Supply chain is underfunded relative to the complexity

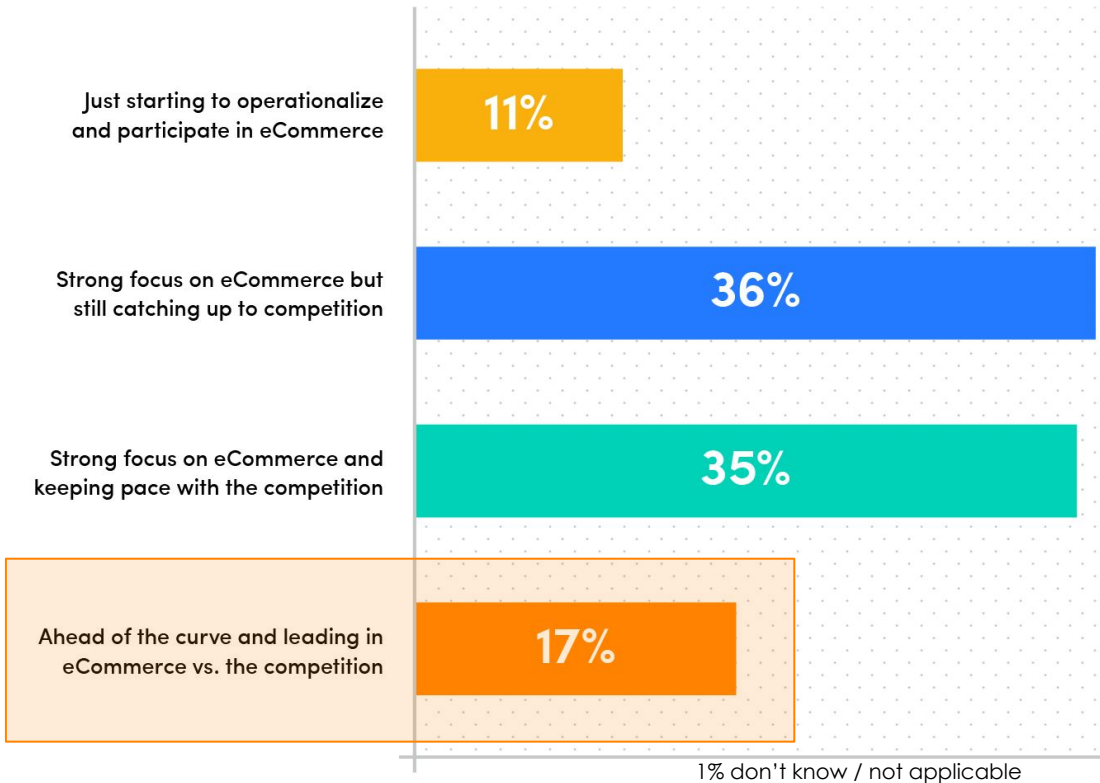Companies struggle to do more than tackle **content basics**

Data and analytics underleveraged to grow sales

#1. eCommerce has become more complex, and organizations are feeling the burden

Q: What's your maturity level in terms of organizing around eCommerce?

Only 17%

feel like they are leading — the rest are catching up or keeping pace

Just starting to operationalize and participate in eCommerce — **11%**

Strong focus on eCommerce but still catching up to competition — **36%**

Strong focus on eCommerce and keeping pace with the competition — **35%**

Ahead of the curve and leading in eCommerce vs. the competition — **17%**

1% don't know / not applicable

Profitero | KANTAR

Where is the complexity coming from?

Omnichannel consumers

4 supply chains simultaneously

Retailers are now also media platforms

Increasing competition from digital pure plays

#2. Leadership must do more to set a clear eCommerce strategy and clarify ways of working

Q: In the area of eCommerce **STRATEGY & LEADERSHIP, how would you rate your organization's capabilities/approach?**

40%

of respondents say their organizations have yet to set measurable goals for eComm

NOVICE
Leadership has articulated that eCommerce is a strategic priority
40%

ADVANCED
Measureable eCommerce goals established and actively tracked
24%

EXPERT
eCommerce goals aligned with core customer strategies and a focal point for key customer interactions
19%

LEADER
eCommerce fully embedded in broader company growth strategies and across all functional plans
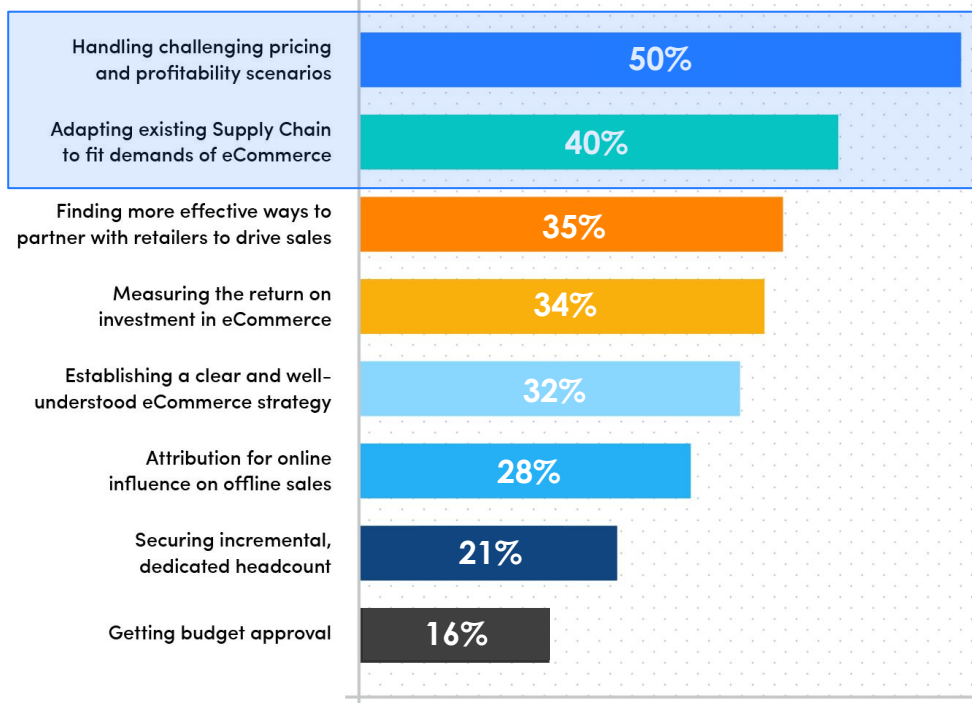**11%**

6% don't know / not applicable

Profitero | KANTAR

#3. The challenges of managing profitability and supply weigh heavily on brands

Q: What are the top challenges that you have around organizing for eCommerce? (Rank top 3)

50%
of respondents rank pricing and profitability as their top eComm challenge

40% said supply chain
is their top challenge

Challenge	%
Handling challenging pricing and profitability scenarios	50%
Adapting existing Supply Chain to fit demands of eCommerce	40%
Finding more effective ways to partner with retailers to drive sales	35%
Measuring the return on investment in eCommerce	34%
Establishing a clear and well-understood eCommerce strategy	32%
Attribution for online influence on offline sales	28%
Securing incremental, dedicated headcount	21%
Getting budget approval	16%

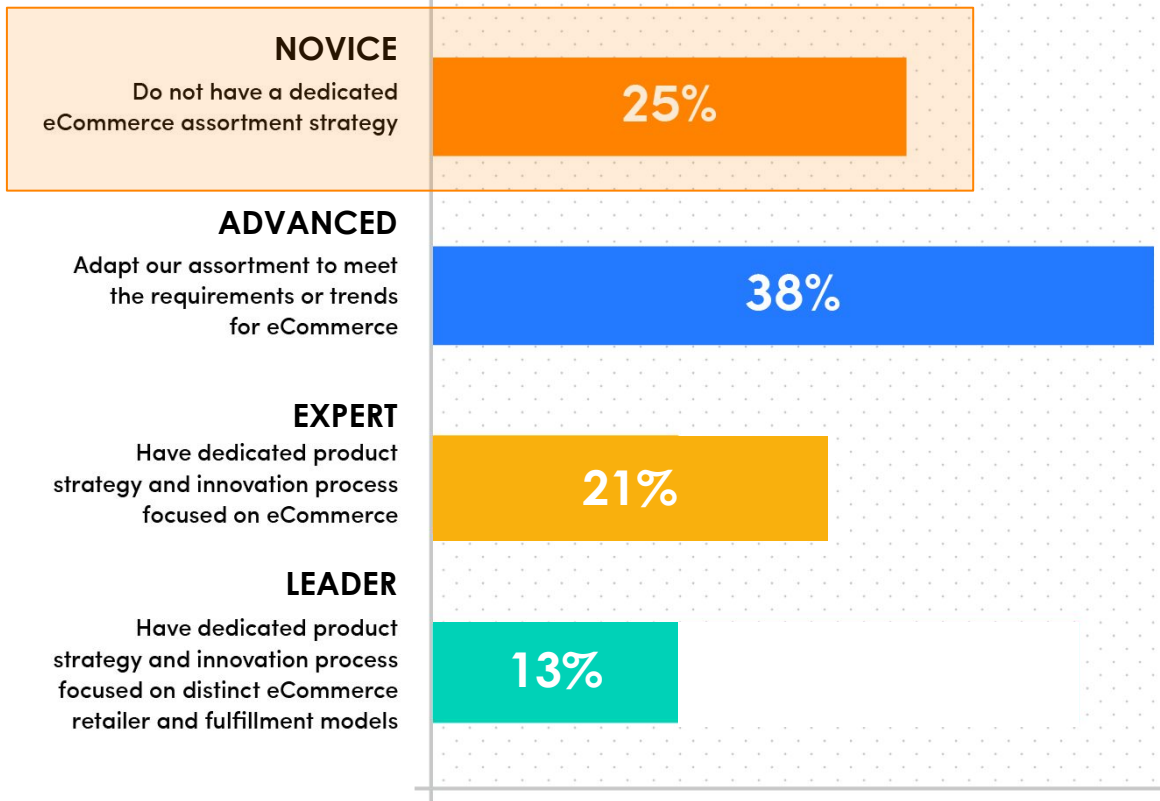● Number of respondents who ranked the challenge in their top 3

Profitero | KANTAR

One-size-fits-all <u>assortment</u> fuels profitability issues

Q: In the area of eCommerce ASSORTMENT and INNOVATION strategy, how would you rate your organization's capabilities/ approach?

25%

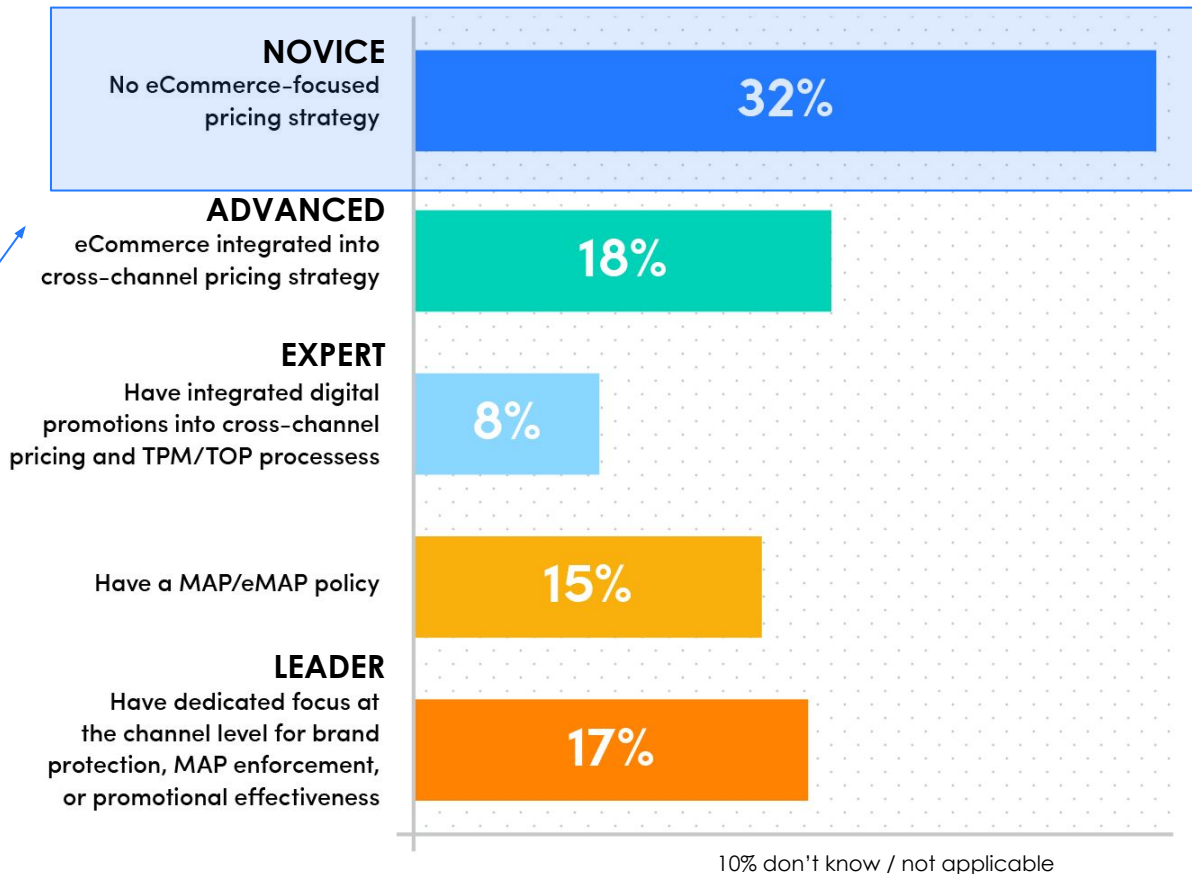of respondents say they don't have a dedicated eComm assortment strategy

NOVICE
Do not have a dedicated eCommerce assortment strategy
25%

ADVANCED
Adapt our assortment to meet the requirements or trends for eCommerce
38%

EXPERT
Have dedicated product strategy and innovation process focused on eCommerce
21%

LEADER
Have dedicated product strategy and innovation process focused on distinct eCommerce retailer and fulfillment models
13%

6% don't know / not applicable

One-size-fits-all <u>pricing</u> also fueling profitability issues

Q: In the area of eCommerce PRICE and PROMOTION management, how would you rate your organization's capabilities/approach?

32%

of respondents have yet to develop an eComm-focused pricing strategy

NOVICE
No eCommerce-focused pricing strategy
32%

ADVANCED
eCommerce integrated into cross-channel pricing strategy
18%

EXPERT
Have integrated digital promotions into cross-channel pricing and TPM/TOP processess
8%

Have a MAP/eMAP policy
15%

LEADER
Have dedicated focus at the channel level for brand protection, MAP enforcement, or promotional effectiveness
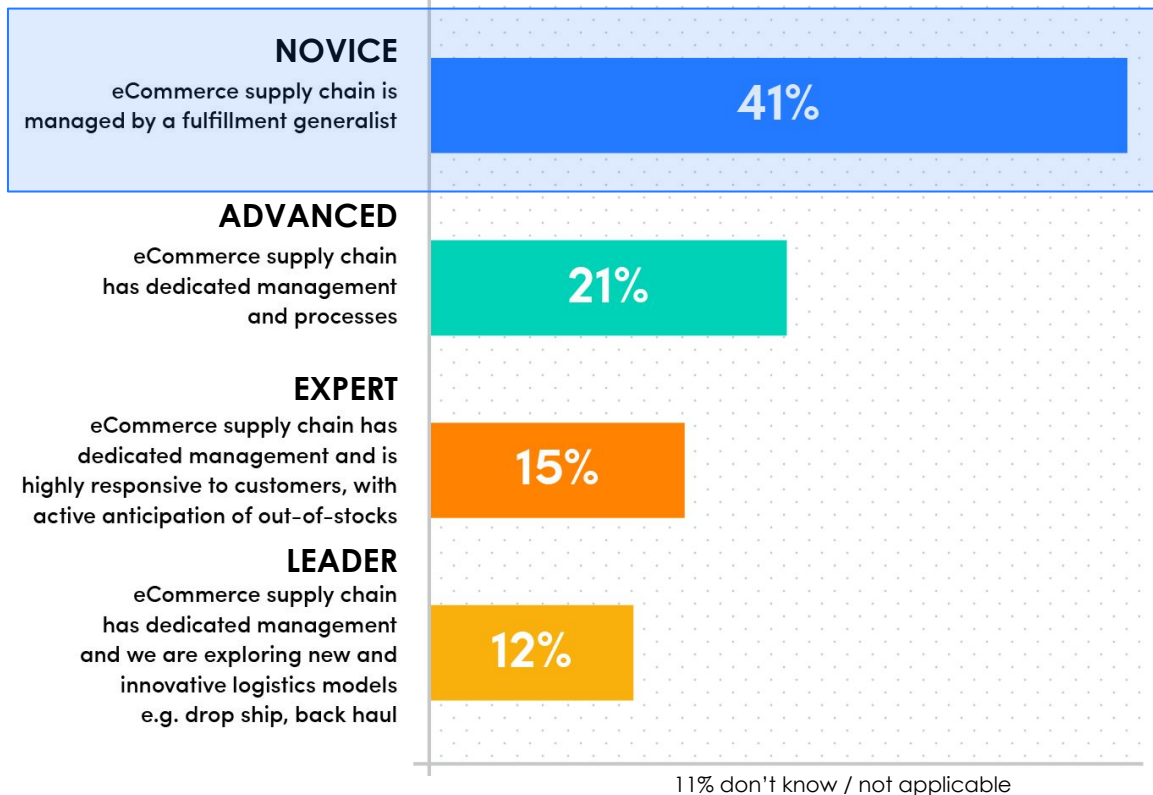**17%**

10% don't know / not applicable

#4. Supply chain is underfunded relative to the complexities of managing omnichannel demand

Q: In the area of eCommerce SUPPLY CHAIN and FULFILLMENT how would you rate your organization's capabilities/approach?

41%

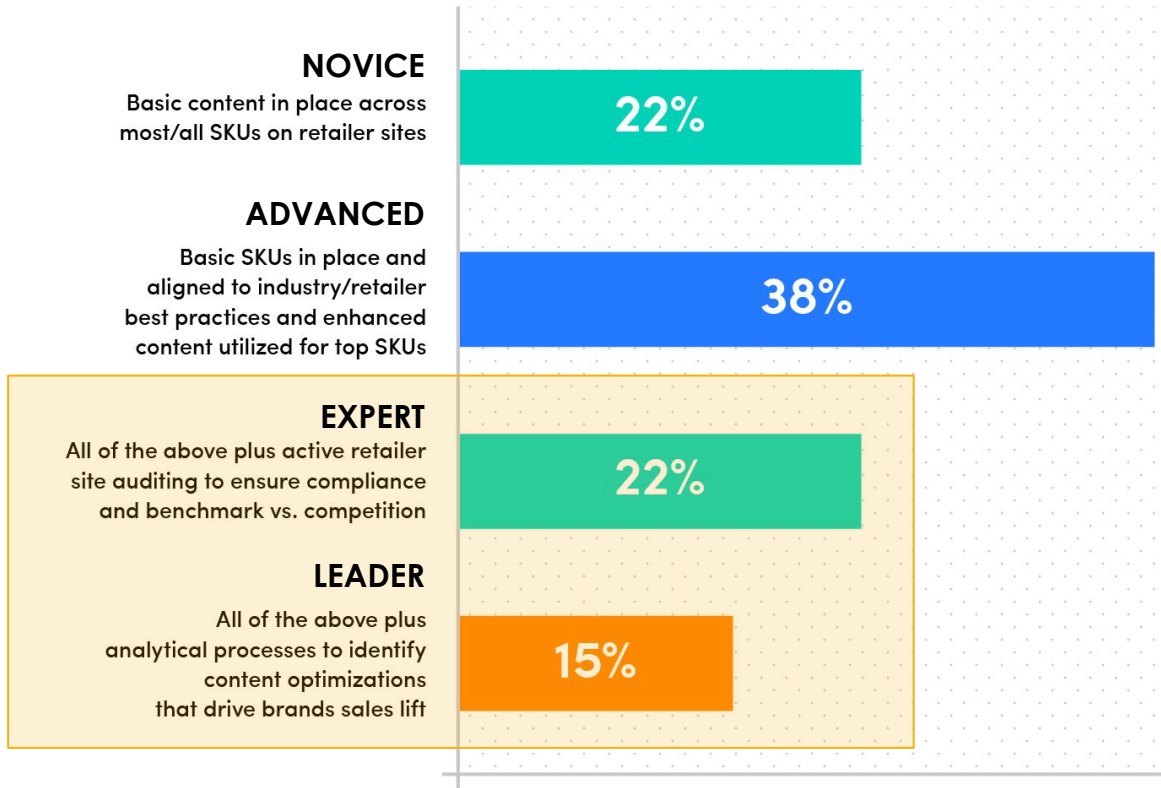of respondents don't have a specialized team or set of processes for managing their eComm supply chain

NOVICE
eCommerce supply chain is managed by a fulfillment generalist
41%

ADVANCED
eCommerce supply chain has dedicated management and processes
21%

EXPERT
eCommerce supply chain has dedicated management and is highly responsive to customers, with active anticipation of out-of-stocks
15%

LEADER
eCommerce supply chain has dedicated management and we are exploring new and innovative logistics models e.g. drop ship, back haul
12%

11% don't know / not applicable

#5. Organizations are struggling to do little more than tackle the basics when it comes to content

Q: In the area of eCommerce CONTENT MANAGEMENT, how would you rate your organization's capabilities/approach?

Only 37%
are actively benchmarking and optimizing content for greater sales impact

NOVICE
Basic content in place across most/all SKUs on retailer sites

22%

ADVANCED
Basic SKUs in place and aligned to industry/retailer best practices and enhanced content utilized for top SKUs

38%

EXPERT
All of the above plus active retailer site auditing to ensure compliance and benchmark vs. competition

22%

LEADER
All of the above plus analytical processes to identify content optimizations that drive brands sales lift

15%

3% don't know / not applicable

Most content focus is on Amazon

74%

have dedicated eCommerce content focus for Amazon

amazon

VS.

52%

have dedicated eCommerce content focus beyond Amazon

Walmart
Target
Kroger
TESCO
BEST BUY
THE HOME DEPOT

16% = none

#6. The power of data and analytics is not being fully leveraged to grow sales

Q: In the area of eCommerce DATA and INSIGHTS, how would you rate your organization's capabilities/approach?

61%

are merely using sales performance data and not digital shelf, shopper or other data to inform decisions

NOVICE
Ad hoc eCommerce sales performance tracking
16%

On-going eCommerce sales performance tracking
45%

ADVANCED
On-going sales tracking plus analysis of non-sales data sources (e.g. digital shelf, shopper panel)
21%

EXPERT
On-going sales tracking and integration of disparate data sets for advanced analytics
3%

LEADER
All of the above plus the use of advanced analytics models (e.g. predictive sales and inventory forecasting; casual analytics; regression or attribution modeling)
8%

7% don't know / not applicable

Profitero | KANTAR

In Summary

1. **eComm has grown more complex** and brands are feeling the burden

2. **eComm is siloed in most organizations** and job roles & goals are unclear

3. **Profitability and supply chain** are the biggest challenges brands face

4. **Supply chain is underfunded** relative to the complexity of omnichannel retail

5. **Organizations are struggling** to do more than tackle content basics

6. **The power of data and analytics** is not being fully leveraged to grow sales

So what? Now what?

1. Set clear eComm KPIs and goals for everyone

eCommerce manager

Sales & market share growth

Scorecarding

Brand manager

Review monitoring

Supply chain

Out of stocks

Digital content

Content compliance & benchmarking; conversion

Consumer relations

Ratings & reviews

Revenue management

Pricing monitoring; profitability

Sales/account manager

Protect Buy Box

Research & development

Ratings & reviews, monitor competitors

Trade marketing / merchandising

Traffic & conversion; Sales lift

Agency / marketing

Visibility (share of search)

Profitero | KANTAR

2. Start structuring now for omnichannel

While there is no single right approach, more companies have eCommerce reporting into both sales and marketing.

SALES	VP/GM of eCommerce	MARKETING
Key customer team		**Center of excellence**
Team lead		Digital acceleration
Analyst	Commonly outsourced to agencies & brokers	Digital merchandiser
Supply chain		Supply chain
Marketing	—— Direct reporting	Finance
Content	- - - In-direct reporting	Marketing
Sales / distribution		Search
		Content analyst

Profitero | KANTAR

3. Raise your organization's eCommerce IQ

- Train **all teams** on the fundamentals of eCommerce

- Lean on partners to help

- Take advantage of the many free webinars available

Sample training agenda

Topic	Description
eCommerce strategy	Why play and where to play in eCommerce? How to set goals at the executive level by channel
Building a high-performance eComm organization	How to structure for eComm — workstreams, roles & responsibilities, and KPIs specific to your retailer focus
Digital tech stack	What tools, technology, data and partners you need to enable teams to succeed
Engaging retailers	How to collaborate with retail partners on eCommerce? Joint business plan development and negotiation
Managing assortment & availability	Understand eCommerce distribution and supply chain fundamentals (price pack, variant strategy, portfolio)
Driving traffic	Understand the levers for driving discoverability and findability in digital retail environments (SEO, paid advertising, etc.)
Digital packaging (aka product content)	Understand product content and what content enhancements can help boost conversion and sales
Pricing and promotion	Understand the challenges posed by digital pricing dynamics and strategies for maximizing average selling prices (ASPs), maintaining margin, and protecting brand equity
Marketing and merchandising	How to drive demand through offline / online cross-promotions, seasonal activation strategies, and impulse buy tactics

4. Make smart hiring investments

Use relevant KPIs for your category, such as CAGR, as a guidepost for the direction and approximate size of team expansion.
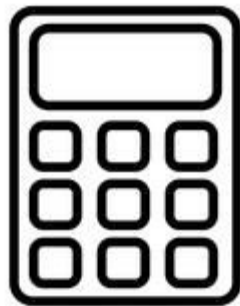
$$CAGR = \left(\frac{EB}{BB}\right)^{\frac{1}{n}} - 1$$

where:

EB = Ending balance

BB = Beginning balance

n = Number of years

Top areas for hiring in 2020 (from the survey)

1

Data analytics/ insights

2

Capabilities management

3

3-way tie:

- **Search optimization management**

- **Digital marketing media specialist**

- **Content digital merchandising**

5. Stop applying offline tactics to online

SLOW — FINITE

	Brick & mortar retail		eCommerce
Pace of change	Slow due to physical limitation	VS.	Dynamic, requiring constant changing to price / promotion
Access to consumers	Intermediated by retailers	VS.	D2C and/or retailers
Category planning approach	Human-led relationship between brands & retailers	VS.	A.I. determines position, price
Managerial demands	Decisions at category level	VS.	Decisions at SKU level
Data availability	Monthly/Quarterly data decisioning	VS.	Real-time data, localized to SKU
Actionable insights	Assortment, price architecture	VS.	Availability of products, traffic, conversion rates

FAST — INFINITE

Profitero

Stop running promotions that lead to "death spirals"

How a single Target promotion triggered an 11.5% drop in ASP for a Beauty brand

Source: Profitero

Legend:
- Target
- Amazon 1P
- Walmart
- ASP—all retailers

↙ ASP—all retailers = $19.20 pre-Target promo

↖ ASP—all retailers dropped to $17 (-11.5%) post-Target promo

Target 20%-off promo starts ↘

Competitors match promoted price ↖ ↖

Y-axis: $12, $14, $16, $18, $20

X-axis: 3/1, 3/3, 3/5, 3/7, 3/9, 3/11, 3/13, 3/15, 3/17, 3/20

Profitero | KANTAR
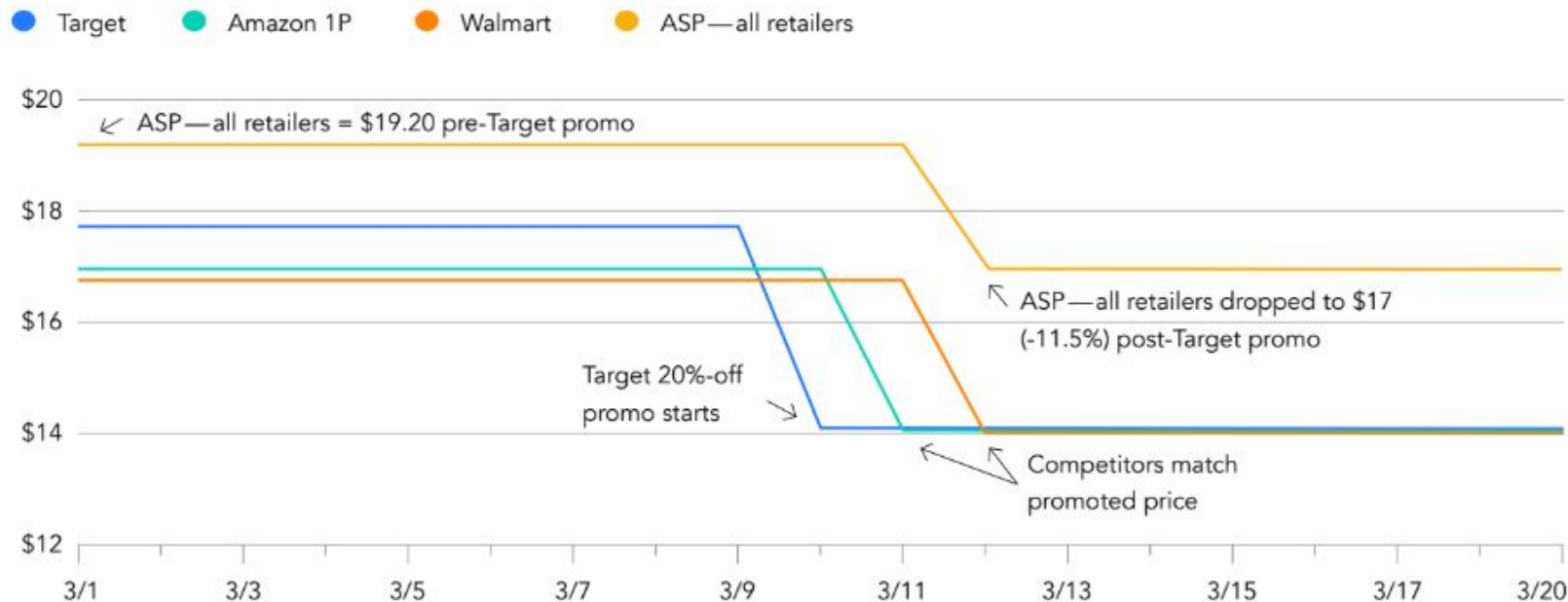
6. Stop managing your business and start optimizing it

Start with benchmarking where you sit in the category

Amazon Best Sellers benchmark — Pet Food (U.S.)

Source: Profitero Amazon FastMovers, Jan 2019, Top Brands — H2 2018.

Reviews	Star rating	Content	Content
Avg. # of reviews	Avg. star rating	Avg. # of images	Avg. character count in title
901	**4.3**	**9**	**70**

Top-selling brands in Amazon Pet Food (U.S.)

Use analytics to drive test & learn behaviors

Added mobile hero image

Don't go all in on an idea you're not sure will move the needle

Instead, test new ideas in a small way and scale if ROI is compelling
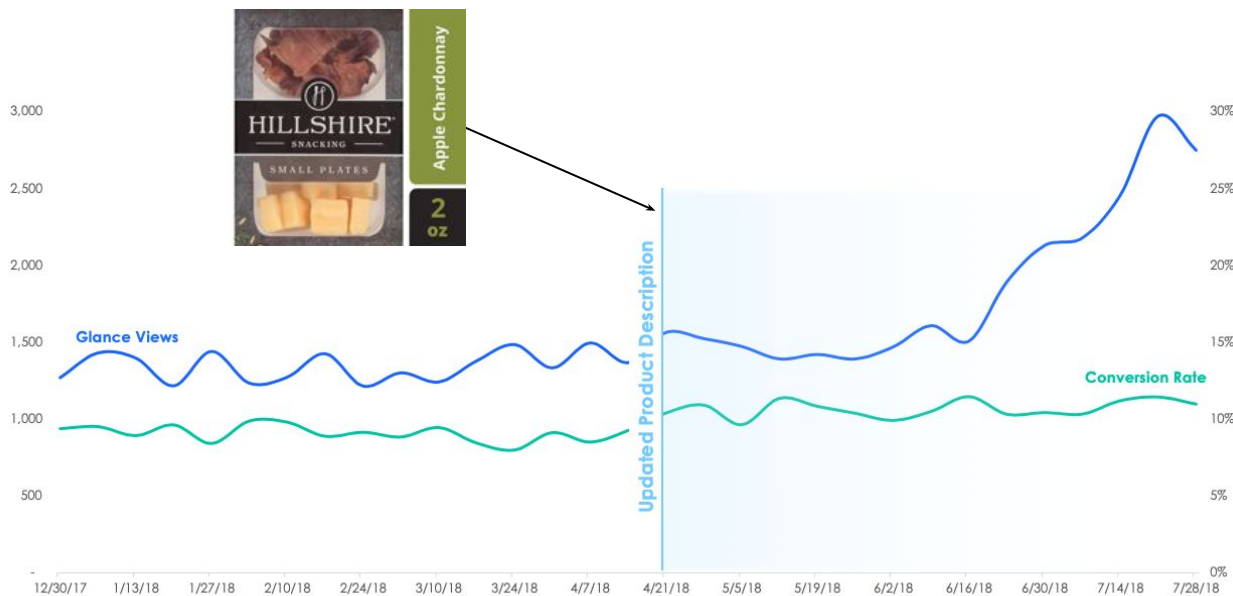
Note: Plot of *conversion rate* and *glance views* over time

Experiment with new tactics

Product A

Moen 7594ESRS Arbor
Motionsense Two-Sensor
Touchless One-Handle
Pulldown Kitchen Faucet
Featuring Power Clean,
Spot Resist Stainless

+0.7pp
or +19%

4.3%

3.6%
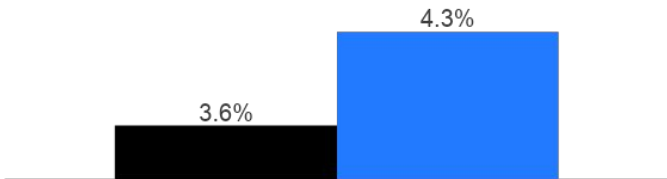
Product A conversion rate

■ Avg conversion BEFORE adding 360 image
■ Avg conversion AFTER adding 360 image

Product B

Moen 5923EWSRS Align
Motionsense Wave Sensor
Touchless One-Handle High
Arc Spring Pre-Rinse
Pulldown Kitchen Faucet,
Spot Resist Stainless

+0.7pp
or +85%

3.7%

2.0%
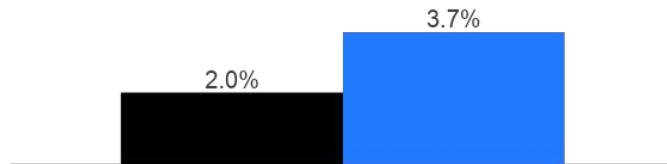
Product B conversion rate

■ Avg conversion BEFORE adding 360 image
■ Avg conversion AFTER adding 360 image

Apply predictive analysis to get ahead of problems
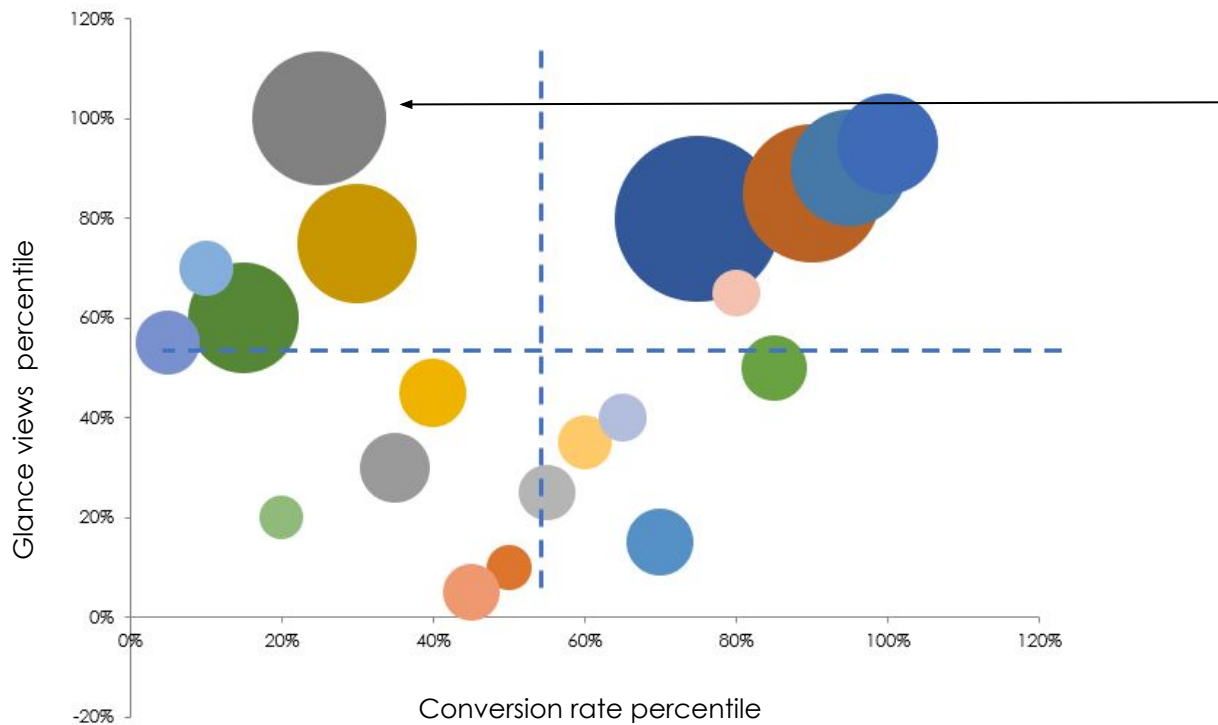
The Master Lock Company uses page traffic indicators (glance views) as an early warning signal of OOS risk and trigger to increase factory production levels

Recouped $500K in sales for this single ASIN in Q4 2018

Accelerate your eCommerce readiness

Involve your leaders and partners to help them understand & address

Define clear KPIs
for everyone in
the organization

Start structuring teams
for omnichannel
eCommerce

Invest in training to raise
your organization's
eCommerce IQ

**Make smart hiring
investments,** looking at
CAGR and biggest gaps

**Develop eComm specific
strategies** for assortment,
pricing and supply chain

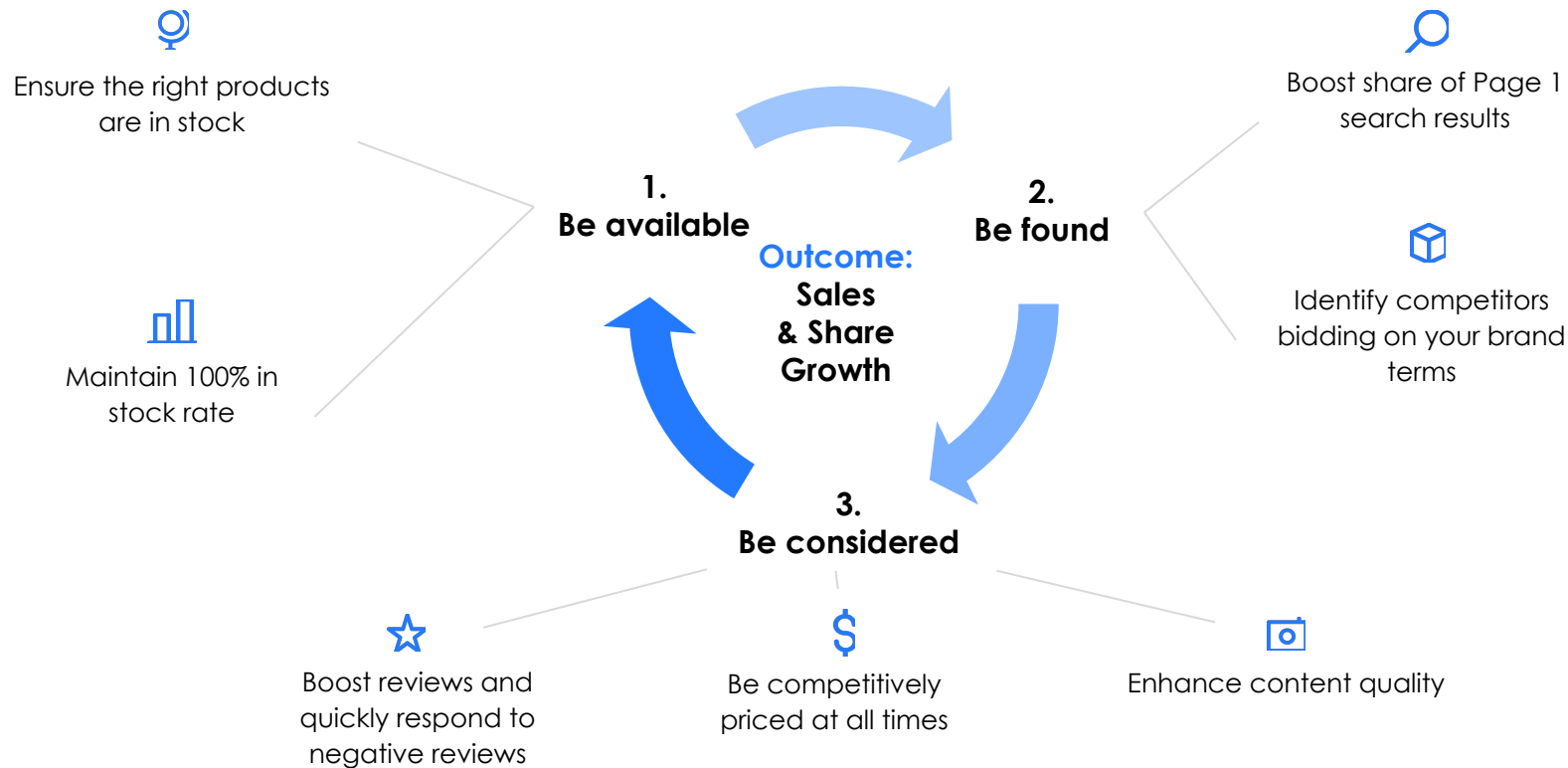**Maximize your use of
data & analytics** to
optimize sales performance

Q&A

Every function has a role to play in eCommerce

Brand manager
Reviews monitoring protects brand integrity. Avoid immediate sales losses due to shoppers not being convinced or confident in your proposition

Supply chain
Out of stock: Protect Buy Box win rate, avoid losing sales & maintain long-term shopper loyalty to your brand

Digital content
Robust **product content** boosts conversion rates with convincing proposition, richer product education

Consumer relations
Ratings & reviews protect brand reputation and mitigates crises

Revenue management
Pricing monitoring to adjust promotional and couponing strategy

Sales/account manager
Protect Buy Box win rate, avoid losing sales & maintain long-term shopper loyalty to your brand / mitigate sales losses due to shoppers not being convinced or confident in your proposition

Research & development
Rating & reviews give insight to new product/features to drive innovation & growth
Monitor competitive product launches

Trade marketing / merchandising
Traffic & conversion tracks product page views and avoid losing as much as ½ your sales for a given product, and protects shopper loyalty

Agency / marketing
Being visible is the first step — keyword optimization, staying on page 1, optimizing for top result

eCommerce manager
Score-carding is an important step in socializing important metrics and driving organizational accountability

Profitero | **KANTAR**

Measure every part of the digital path to purchase

Ensure the right products
are in stock

Boost share of Page 1
search results

1.
Be available

Outcome:
Sales
& Share
Growth

2.
Be found

Identify competitors
bidding on your brand
terms

Maintain 100% in
stock rate

3.
Be considered

Boost reviews and
quickly respond to
negative reviews

Be competitively
priced at all times

Enhance content quality

Topic	Description
E-commerce Strategy	Why play and where to play in eCommerce? How to set goals at the executive level by channel
Building a High-Performance eComm Organization	How to structure for eComm – workstreams; roles & responsibilities; KPIs specific your retailer focus
Digital Tech Stack	What tools, technology data and partners you need to enable teams to succeed
Engaging Retailers	How to collaborate with retail partners on eCommerce? Joint business plan development and negotiation
Managing Assortment & Availability	Understand e-commerce distribution and supply chain fundamentals (price pack, variant strategy, portfolio)
Driving Traffic	Understand the levers for driving discoverability and findability in digital retail environments (SEO, paid advertising, etc.)
Digital Packaging (a.k.a. Product Content)	Understand the of product content and what content enhancements can help boost conversion and sales
Pricing and Promotion	Understand the challenges posed by digital pricing dynamics and strategies for maximizing average selling prices (ASPs), maintaining margin, and protecting brand equity
Marketing and Merchandising	How to drive demand through offline / online cross promotions online; seasonal activation strategies and impulse buy tactics

Trial for online grocery delivery is spiking up as consumers hunker down

- **One-third** of U.S. shoppers bought food online over the past week, and of those, **41%** were doing so for the first time

- Walmart captured **half** of those orders

- Retailer apps are seeing **2-3x more downloads**

Gordon Haskett Research Advisor | Apptopia