

OPTIMIZING ONLINE OPPORTUNITIES

Retailers, Manufacturers, Service Providers Dive Deep Into Digital Commerce

TAKEAWAYS

- ▶ Online shopping sales are expected to grow nearly 16% in fewer than five years.
- ▶ Grocery retailers are aligning brick-and-mortar and e-commerce strategies.
- ▶ Marketers are challenged by the complexity of measuring the impact of digital advertising.
- ▶ Crowdsourcing technology offers grocery shoppers comparison pricing, while collecting valuable consumer data.

Nearly 200 retail and consumer goods industry executives convened to learn and share strategies for succeeding in the digital landscape at the 2019 Advantage Digital Technology E-commerce Symposium.

Attendees immersed themselves in the consumer trends, transformative technology, developments in big data, and retail and marketing developments that are creating online opportunities and posing potential pitfalls.

“Retail is a balance of bricks and clicks and we have to master both,” noted Lori Stillman, executive vice president of analytics, insights and intelligence for Advantage Solutions, during her opening keynote “In This Moment: What Matters Most in Retail.” “It’s about creating emotional connections between shoppers and brands. It’s about taste, touch, smell and hearing and the experiential moments shoppers are seeking today.

“Brands who empower consumers to find products where they need, when they need, will succeed.”

The outlook for U.S. retailers and consumer goods manufacturers is strong, with retail dollar sales expected to grow 4.7% to nearly \$3 trillion by 2023, according to Kantar figures. Driving that growth: online sales. As a channel, online shopping’s forecasted growth of 15.8%, or \$311 billion, between 2018 and 2023 is greater than the net growth of all other retail channels combined.

Total U.S. food, drug and health and beauty care e-commerce will see explosive growth, with online sales expected to reach \$205 billion — or 10% of total dollar sales — by 2023. “In the next five years, online sales of food and beverage, including alcohol, will reach \$74 billion, or 6.5% of the category’s total sales, up from 2.6% last year,” Stillman noted.



Advantage is a leading provider of technology-enabled sales and marketing business solutions designed to help manufacturers and retailers across a broad range of channels drive consumer demand, increase sales and achieve operating efficiencies.

The fast-growing group of online grocery shoppers are bringing new behaviors, routines and expectations to brick-and-mortar shopping, Stillman added. Nearly one-third of those participating in the ShopperScape® Online Grocery Survey 2019 said their smartphone has become their most important shopping tool.

The same percentage said they have set up specific items they buy online and others they buy in stores. “These shopper’s expectations are changed by their online experience,” Stillman noted. “For example, 15% said they are less patient when shopping in a store now.”



Source: ShopperScape® Online Grocery Survey 2019. Shoppers who have purchased groceries online more than once.

These shoppers also have a wish list for online retailers: They’d like coupons for frequently purchased items and items they may order online, free samples of items they may order and the ability to use manufacturers’ coupons online, according to ShopperScape®.

In short, retailers who want to succeed online must provide relevancy, transparency and purpose, Stillman said. “Relevancy involves using visual, voice and vertical tools to streamline the search process and unlock better shopping decisions and experiences.”

Relevancy also demands personalization, as 90% of surveyed consumers find a personalized shopping experience appealing and 80% said they’re more likely to purchase from a brand that offers those experiences. “Yet only 12% of brands say their personalization strategies are ‘extremely effective,’” Stillman noted. “Why does it matter? More than half of Millennial and Gen X shoppers say personalization would help a brand earn their loyalty.”



Source: Accenture’s 2018 Personalization Pulse Check

To stay relevant, brands and retailers must also consider how orders are filled.

“Fulfillment has taken on so many forms: buy online, pick up in-store; delivery to home; pop-ups at events; curbside pickup or lockers,” Stillman said. “Customers are picking retailers based on the breadth and depth of their fulfillment models.”



Transparency, too, is a primary choice-driver for consumers. “Shoppers desire a deeper level of information about ingredients, growers and production methods to align their purchases with their values about sustainability and wellness,” Stillman said, noting that three-fourths of shoppers responding to a ShopperScape® survey last year agreed “it’s important for people to vote with their dollars by supporting retailers and brands that reflect their values.”

Finally, retailers must have a clear purpose. “Purpose is not just what you stand for,” Stillman said, “but how you serve up different platforms to consumers so that they have what they need, at that time.”

WINNING ONLINE

This desire by consumers to buy what they want, where they want — and have it delivered to their hands when and how they want — is prompting ever-accelerating investments in e-commerce, according to Chris Butler, head of e-commerce at Mondelēz NA, who offered his insights on “How to Succeed in E-Commerce.”

One reflection of these investments: The number of click-and-collect U.S. grocery store locations doubled last year, from 2,451 to 5,800. By 2020, Butler said, online sales will drive more than half of consumer packaged goods growth.

The challenge for consumer goods companies, he said, is creating incremental sales online. “If a brand owns 50% share of the cookie market but has a 30% share of online cookie sales, that is a problem. It’s losing customers. If its online share is 80% of cookie sales, that’s a better story.”

To win in the digital space, companies must reexamine the basics of traditional sales — assortment, availability, search, content and activation — through the lens of e-commerce. “If we don’t, we lose sales,” he warned.

Online assortment strategies, for example, must be very different than in-store assortment strategies. “What sells through clicks is very different than what is selling in the store, which has ramifications for advertising, supply chain, how we sell — everything.”

Visibility online is crucial. “Each retailer is getting into their own search business, but organic search also is critical,” Butler said. “Organic search can give you a 10% to 15% lift in sales if you get it right. It’s about understanding the data, what people are looking for in their products or categories and using the keywords people are searching for.”

Finally, brands must better understand how spending money to drive activation in the store also impacts online activity. “If you do a promotion in-store, you’ll see huge lifts online. What is your online activation program? If something is on sale in the store, does the display activation have to be the same online — or is that a double spend?”

“We’re spending a lot of money learning what works.”

“We’re spending a lot of money learning what works,” Butler said, advising consumer goods companies to spend 10% of their advertising and promotion budget “testing and learning.”

SOUND BITES



ALLOCATING ADVERTISING SPEND

But measuring the results of advertising and promotion spending — and attributing incremental sales to the specific spend that prompted them — isn't easy, noted Conversion Logic Chief Client Officer Juan Pablo "JP" Pereira, who offered his insights on "Marketing Attribution, Incrementality and Optimization in CPG."

Brands should be able to answer two questions about their advertising spends, Pereira said: Are we targeting the right people? Are our ads working?

As brands invest in marketing campaigns across platforms to drive conversion, crediting sales gains to the marketing touchpoints that prompted them can be challenging for even the most sophisticated marketers.

Brands sometimes stumble when they attempt to determine if an ad spend prompted conversion and incremental sales by comparing the behavior of those exposed to an ad to a control group of consumers who didn't see the ad. If the exposed and unexposed groups are not randomly assigned, three biases can affect attribution, Pereira noted:

- **Activity bias** — Active online users are more likely to see ads, visit a site and purchase online. "When you attribute incremental sales, you need to correct for that by looking at the number of hours people in the exposed group spend online versus those in the unexposed group." Pereira said.
- **Targeting bias** — Some consumers are more likely than others to be targeted by marketers through email, search, social and retargeting display ads.
- **Self-selection bias** — Shoppers may be proactively searching online for a product and buying it, regardless of the ad spend they are exposed to.

Pereira advocates for multitouch attribution that captures incrementality across all marketing efforts on a person's path to purchase — including email, native ads, paid search and others — and credits conversions and revenue to each touchpoint based on its increase in probability to convert. "Some of the incremental sales should not be attributed to any touchpoint if it is determined that sale would have happened anyway," Pereira said.



"In the world of the **ENDLESS AISLE**, the **OPPORTUNITIES** are also endless."

"Online shoppers want to use **MANUFACTURERS' COUPONS**. We're missing a huge opportunity."

"We spend a lot of time building trust with our consumers. That's why having **ACCURATE PRODUCT DATA** is so important to us."

"New methods of analysis must keep up with the data and the **SPEED OF MODERN BUSINESS**."

"We need to use **ENGAGEMENT AS A TOOL**, not as an objective. If you're going to make me want chipotle potato chips, giving me a link to buy them would be helpful."

"Nearly half of brands selling on Amazon spend more than **\$40,000 per month on advertising** on the site."



For example, Pereira's team worked with a pizza chain that had made large investments in search engine marketing (pay-per-click ads) and TV ads with the goal of boosting online orders and improving its return on digital media. When allocating credit for incremental sales, the team considered the propensity of the buyer to make the purchase regardless of exposure to the ad.

"Someone who buys pizza from a chain tends to buy it every week or every month," he said. "By understanding how likely each customer is to order pizza, based on how often that customer ordered pizza online in the past and how many times he visited the site, we found that the propensity to buy pizza was driving almost half the conversions, so search spending and display spending couldn't be credited with as many conversions as it would be if we didn't consider propensity to buy.

"Search and display were involved in many of the customer journeys, but didn't necessarily result in incremental sales. You need to drill deeply into the data to understand customer behavior and their propensity to buy, before you can assign credit to digital touchpoints."

THE SMART SHOPPING LIST

While most brands and retailers are refocusing their investments to drive more spending online, one company was founded to help grocery shoppers spend less online and in the store. Basket, a shopper-powered shopping list, leverages crowd-sourcing much the way Waze does to provide real-time price comparisons on groceries that help shoppers save money.

Launched in 2016, the Basket app is powered by 12,000 shopper contributors collecting product data on items in 2,750 categories. Data is contributed from 153 metro regions covering 90% of the country's population.

Basket's nearly four years of price and market data captures include 671 million grocery items found at 118,000 stores, totaling more than 12 billion active and historical prices.

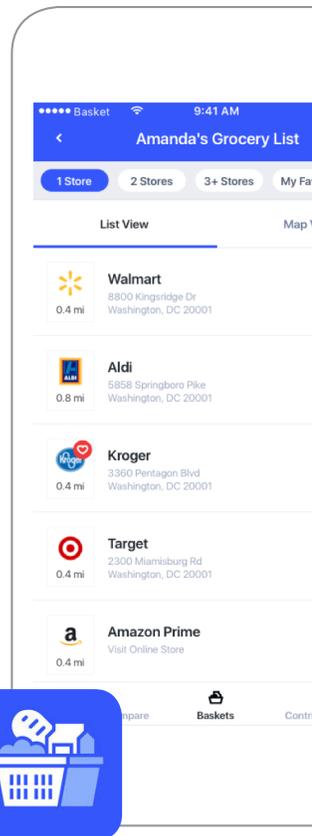
"When we started, pricing transparency was found in travel, homes and cars. But in grocery, there was nothing similar," said Basket Co-Founder and President Andy Ellwood during "Grocery at the Speed of Now."

From the start, the Basket team encountered barriers to creating the smart shopping list. "We went to retailers and said, 'Hey, we want to put your prices up and compare them to others' prices and let the shopper decide,'" Ellwood said. "We were laughed at and kicked out."

Instead, Basket started its database with volunteers armed with an app that allowed them to scan a product's barcode and enter the retail price. Every product scanned earned the volunteers points that were converted to pay. In the first 18 months, volunteer shoppers entered 1 billion prices.

Today, more than half a million shoppers have downloaded the Basket app, saving an average of 30% each week — or \$2,000 to \$3,000 annually — on their grocery shopping by pre-shopping before purchasing in a store or buying online for delivery or pickup. What's more, product manufacturers and retailers — many of whom scorned the idea five years ago — are working with Basket to glean shopper insights, including real-time prices at competing retailers and Basket users' pre-purchase activity, actual purchase activity and post-purchase behavior.

"The data reveals changes in a shopper's behavior," Ellwood said. "Is an item that was regularly on the list been replaced by a comparable product? Are they buying diapers now? Is there a new purchase around the house? These are all things that show up on someone's shopping list." ●



Source: Basket.com