eCommerce and channels conflicts

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Agenda

- eCommerce: basic concepts

- Trends in eCommerce

- Marketing for eCommerce: some ideas

- Channel conflicts

# E-COMMERCE: BASIC CONCEPTS

Typologies of e-commerce

- **Business to consumer (B2C)**

- **Business to business (B2B)**

- **Consumer to consumer (C2C)**

- **Consumer to business (C2B)**

eCommerce challenges

- Direct selling or intermediaries? Coopetitive relationships?

- Distribution centres

- Consumers who relate with physical and digital channels during the purchase process (showrooming vs webrooming)

- Absence of geographical limits

e-commerce benefits

- Increase product offering (long tail)

- Costs reduction:
    - Reduced inventory management costs
    - Reduced transaction cost
    - Absence of investment on the physical infrastructure

- New customers

- Anytime and anywhere shopping

- Direct control on the final market

- Possibility to provide several information on the product

- Possibility to create markets for niche products
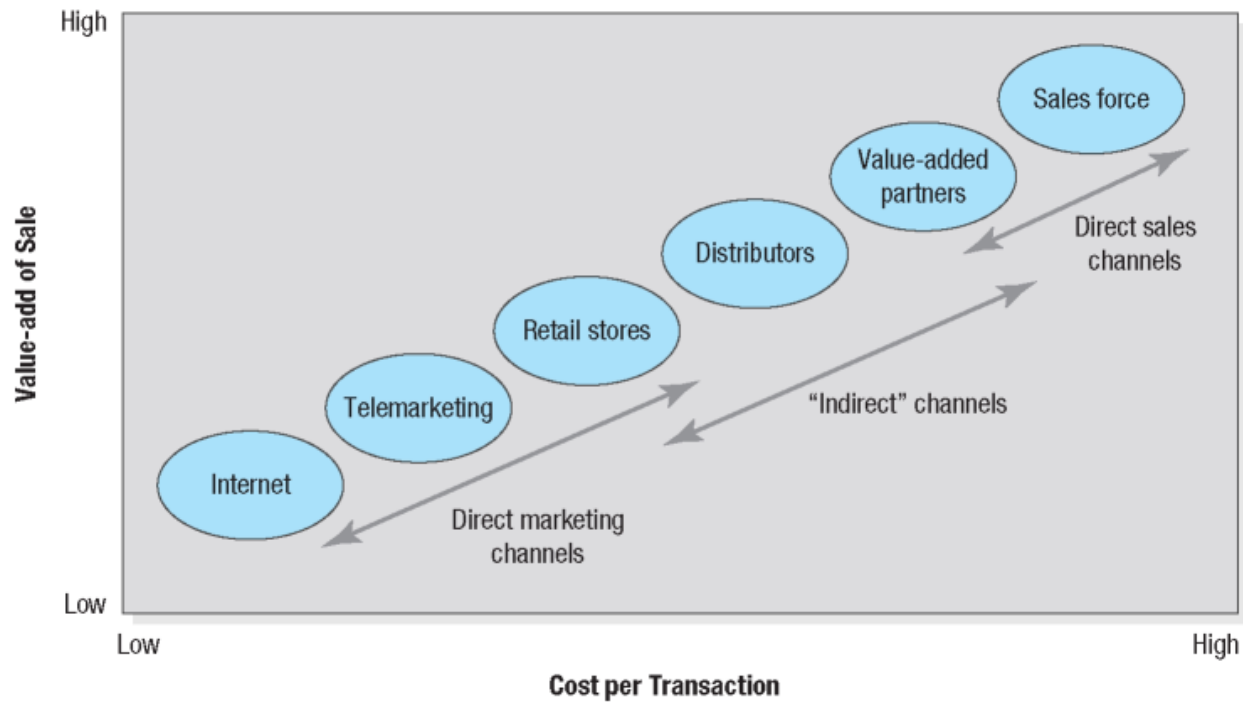
Source: Oxford Associates, adapted from Dr. Rowland T. Moriarty, Cubex Corp

Barriers and risks of e-commerce

- Increased competition due to:

- International competition

- Consumers owning more information about the product and
  possibility to compare brands

- Necessity to keep traditional channels for customers who do not use
  the online channel

- Not possible to touch or try the product

Direct-to-consumer

Direct-to-consumer: direct sell (not intermediated) of products and services to the final consumer

Benefits:

- Avoid intermediation costs

- Avoid costs related to the merge of retailers with a dominant role inside the industry (reduced negotiating power)

- Collection of user data (leverage data analytics opportunities)

- Direct interaction with the user (bidirectional)

Raise of
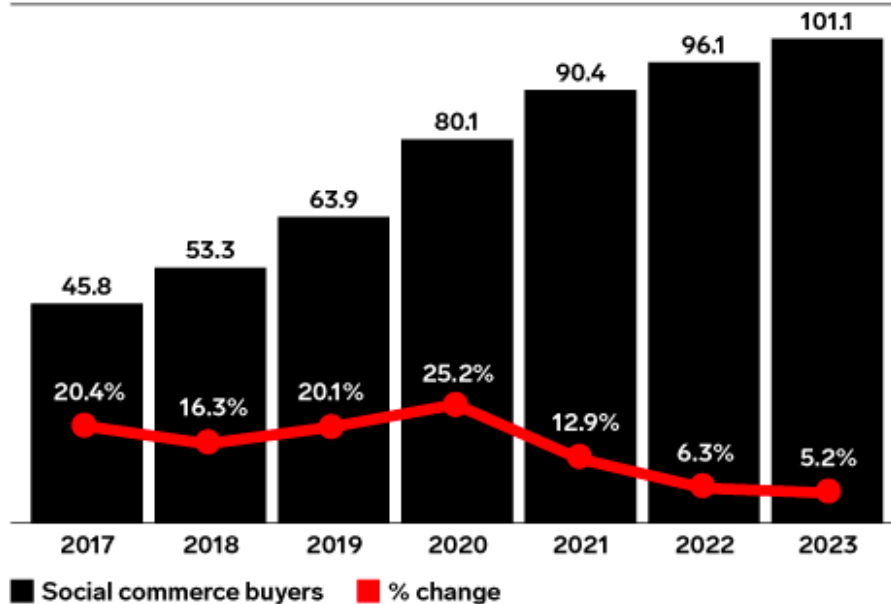# mobile-commerce (m-commerce)
and
social-commerce (s-commerce)
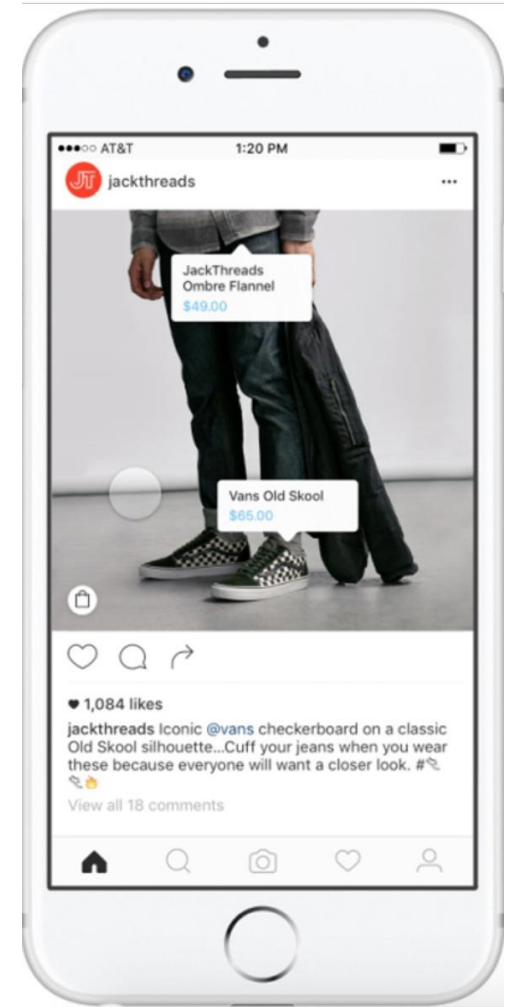
Growing penetration of social commerce

US Social Commerce Buyers, 2017-2023
millions and % change

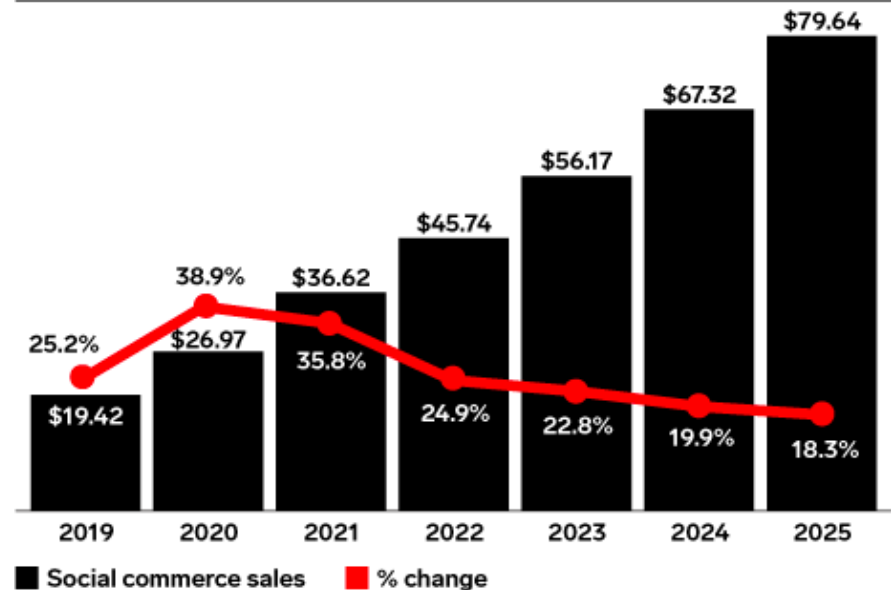| Year	Buyers	% change
2017	45.8	20.4%
2018	53.3	16.3%
2019	63.9	20.1%
2020	80.1	25.2%
2021	90.4	12.9%
2022	96.1	6.3%
2023	101.1	5.2%

■ Social commerce buyers   ■ % change

Note: ages 14+; social network users who have made at least one purchase via any social channel (e.g., Facebook Marketplace, Instagram Checkout, WeChat Mini Programs, Line Shopping, VK Market), including links and transactions on the platform itself, during the calendar year, including online, mobile, and tablet purchases
Source: eMarketer, Jan 2021

262455   eMarketer | InsiderIntelligence.com

US Retail Social Commerce Sales, 2019-2025
billions and % change

Year	Sales	% change
2019	$19.42	25.2%
2020	$26.97	38.9%
2021	$36.62	35.8%
2022	$45.74	24.9%
2023	$56.17	22.8%
2024	$67.32	19.9%
2025	$79.64	18.3%

■ Social commerce sales   ■ % change

Note: includes products or services ordered via social networks (such as Facebook, Instagram, Pinterest, WeChat, Line, VK, and others) regardless of the method of payment or fulfillment; excludes travel and event tickets, tips, subscriptions, payments, such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales
Source: eMarketer, May 2021

266527   eMarketer | InsiderIntelligence.com

E-commerce: logistic aspects

- Inventory management: continuous monitoring of stock level

- Demand forecasting

- Warehouse management system

- Order management: tracking, delays

- Delivery management: delivery, click and collect…

- Product return policy

- Order tracking: customer visibility (status, expected delivery)

E-commerce: create website traffic

- Landing page: users directed on a specific webpage (e.g. product webpage) and not toward the home page

- Performance (speed of upload of critical elements)

- Website elements (search function; filter; autocomplete function

- Product presentation (intutive and accurate descriptions, video, 360° virtual tour, demo, product name)

- User experience design (buttons, average time on site, AR)

- Transparency of checkout information (e.g. delivery costs)

- Registration and payment: speed (possibility to save data), informative, feedback

E-commerce: create website traffic (2)

- Content marketing strategy
- Social media campaigns (hashtag for sharing, partnership with influencers e micro-influencers)
- SEO e SEM
- Customer reviews
  - o reviews incentives
  - o word of mouth
  - o customer feedback gathering

- Upselling & cross-selling

E-commerce analytics

- Logistic processes (tempo di delivery)

- Product analytics (product displays, reviews, shares, conversion rate)

- Online marketing analytics (conversion rate of the marketing campaign)

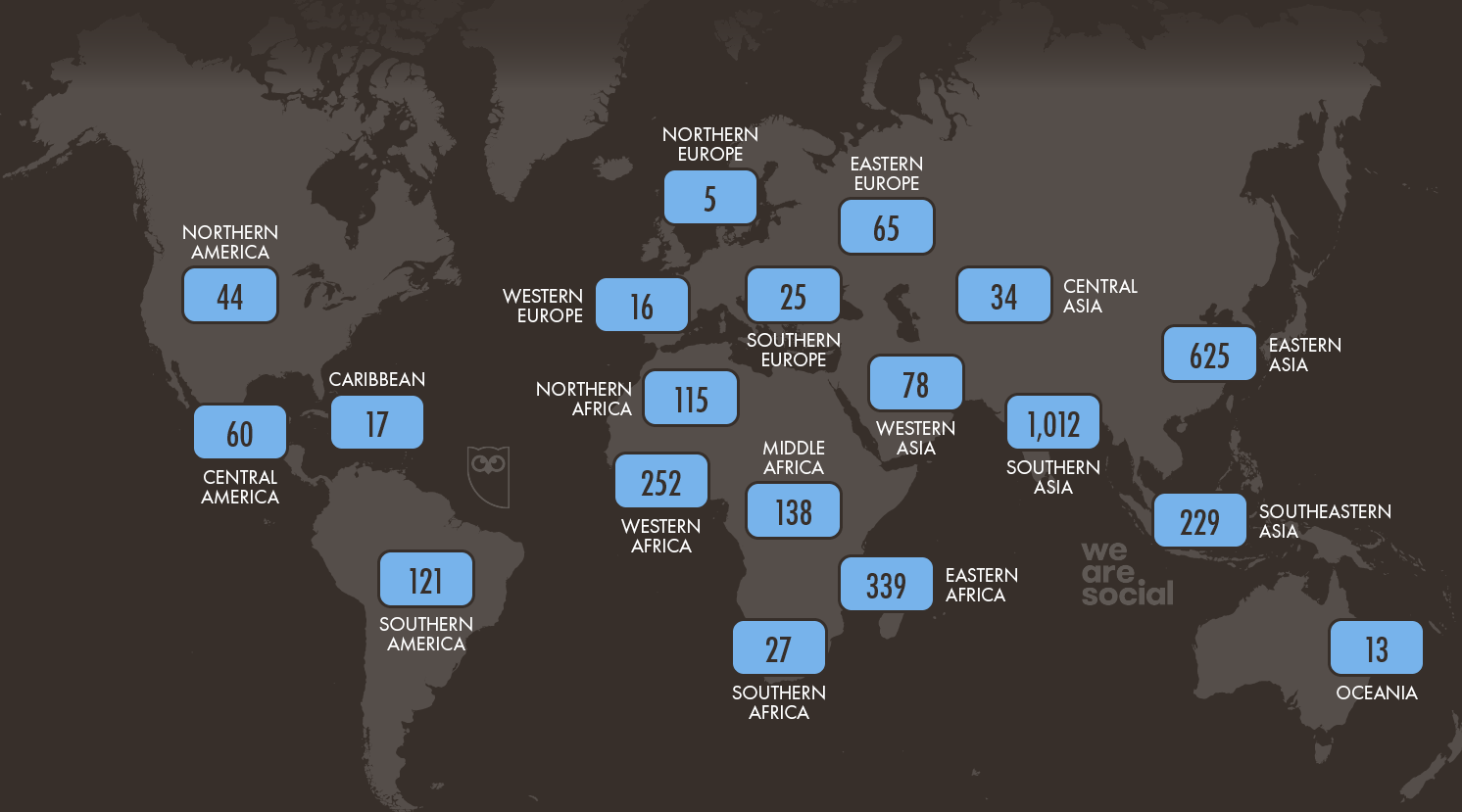- Purchase process monitoring (cart abandonment; traffic sources, timing/days with high traffic)

TRENDS IN ECOMMERCE

eCommerce figures (before Covid)

Retail Ecommerce Sales Worldwide, 2020-2025
trillions, % change, and % of total retail sales
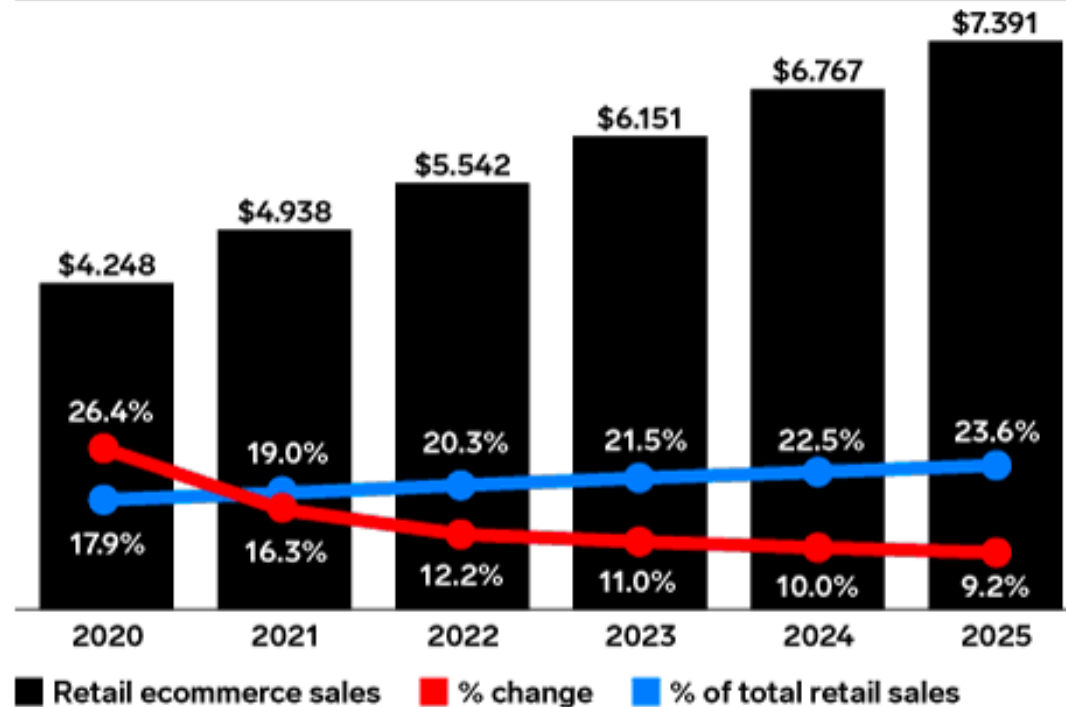
Year	Retail ecommerce sales	% change	% of total retail sales
2020	$4.248	26.4%	17.9%
2021	$4.938	19.0%	16.3%
2022	$5.542	20.3%	12.2%
2023	$6.151	21.5%	11.0%
2024	$6.767	22.5%	10.0%
2025	$7.391	23.6%	9.2%

■ Retail ecommerce sales   ■ % change   ■ % of total retail sales

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales
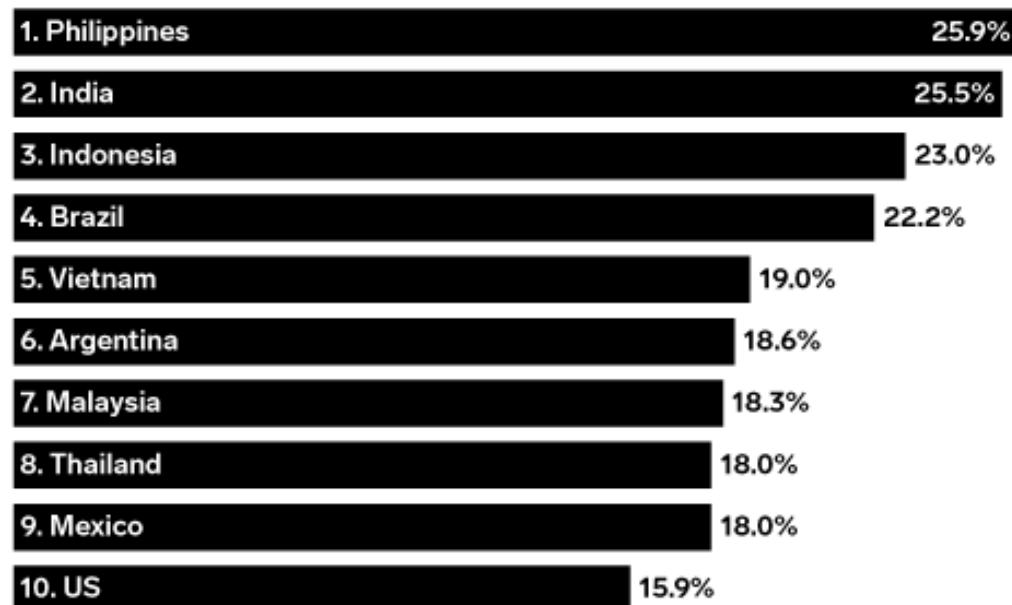*Source: eMarketer, Jan 2022*

272408   eMarketer | InsiderIntelligence.com

eCommerce figures

Top 10 Countries, Ranked by Retail Ecommerce Sales Growth, 2022

% change

1. Philippines	25.9%
2. India	25.5%
3. Indonesia	23.0%
4. Brazil	22.2%
5. Vietnam	19.0%
6. Argentina	18.6%
7. Malaysia	18.3%
8. Thailand	18.0%
9. Mexico	18.0%
10. US	15.9%

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales
Source: eMarketer, Jan 2022

272411   eMarketer | InsiderIntelligence.com

DNVB disruption

Digitally native vertical brands and e-commerce giants are expanding their private label offerings

Happy Belly Cranberry & Nuts Trail Mix, 16 Ounce
⭐⭐⭐⭐⭐ 4
$7.68 **PrimePantry**

Happy Belly Sweet & Spicy Trail Mix, 16 Ounce
⭐⭐⭐⭐☆ 7
$8.32 **PrimePantry**

Happy Belly Fancy Whole Cashews, 16 Ounce
⭐⭐⭐⭐⯪ 32
$7.52 **PrimePantry**

Emily Veg Crisps Sweet Potato Sticks Se...
120g
Now £2, was £2.79 ›
⭐⭐⭐⭐☆

Emily Veg Crisps Crunchy French Beans, Su...
80g
Now £2, was £2.79 ›
⭐⭐⭐⯪☆

Emily Veg Crisps Sweet Potato Sticks Season...
100g
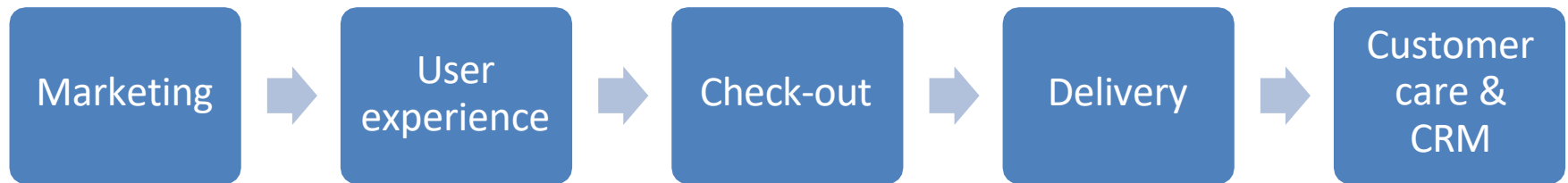Now £2, was £2.60 ›
⭐⭐⭐⭐☆

Summarizing (1/2)

- Before Covid
    - Growing relevance of eCommerce
    - Growing incidence of m-commerce
    - All the categories are affected, though some are more mature
    - ROPO («Research offline, Purchase online») is fast-growing and among most digital customers Amazon is focal
    - Most of eCommerce market is more functional than experiential
    - New roles for retail is the next challenge
    - Payment evolutions (PSD2, Blockchain, etc.) may further boost eCommerce growth
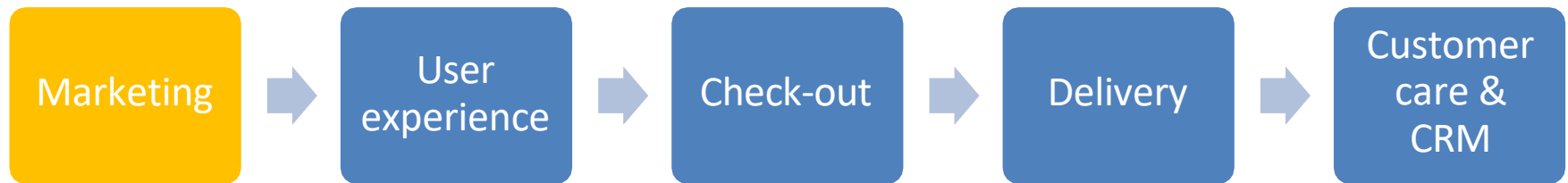
Summarizing (2/2)

- After Covid:

  - Some 80% of the internet users in Western world are eShoppers

  - eCommerce : retail = remote working : office ?

  - Growth of subscription-based models

  - Acceleration of logistic solutions (e.g., autonomous vehicles?)

  - Growing relevance of CRM and loyalty marketing

  - Hybrid customer experiences (entertainment eCommerce, vertical eCommerce, retail innovation, proximity marketing)

MARKETING FOR ECOMMERCE: SOME IDEAS

The eCommerce customer journey

Marketing → User experience → Check-out → Delivery → Customer care & CRM

The eCommerce customer journey

Marketing → User experience → Check-out → Delivery → Customer care & CRM

The eCommerce customer journey: marketing

Traffic building (SEM, drive to eStore)

eCommerce strategy (direct vs intermediated)

Category management (omnichannel)

Lever on CRM data for one-to-one marketing

Marketing levers for eCommerce

Traffic building

Paid
– SEM
– PPC
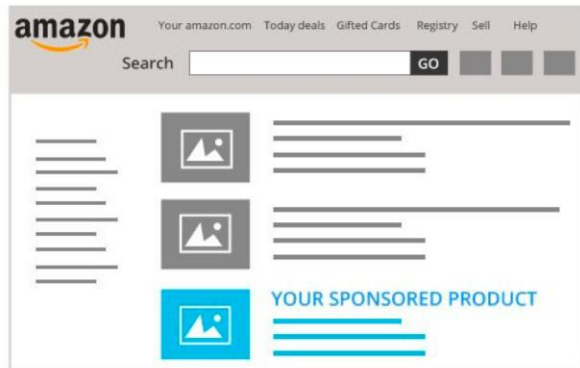– Programmatic

Unpaid
– SEO
– Referral program
– Buyable pins

Conversion

Paid
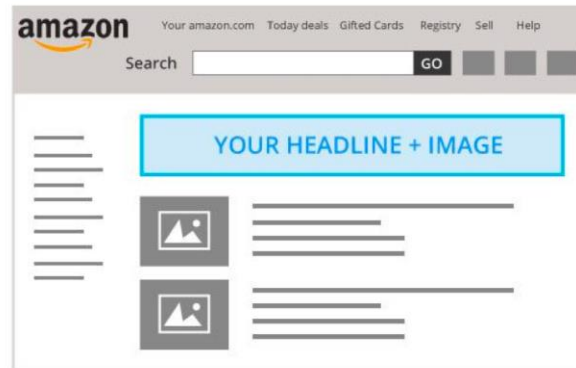– SEM
– Marketplace adv
– Retargeting

Unpaid
– Recommendation
– Category management
– Storytelling
– Social proofs (reviews)
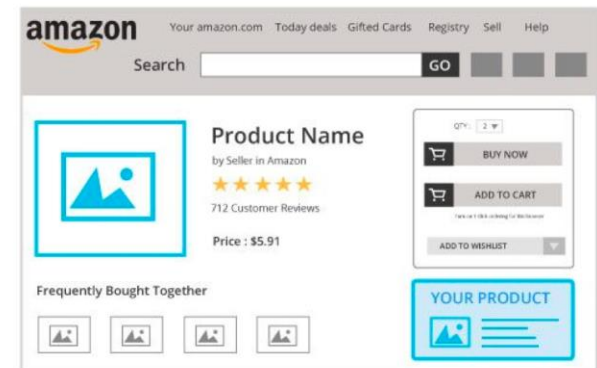– Remarketing

Marketplace adv

Sponsored Products

Target by keyword

Appear below search results.
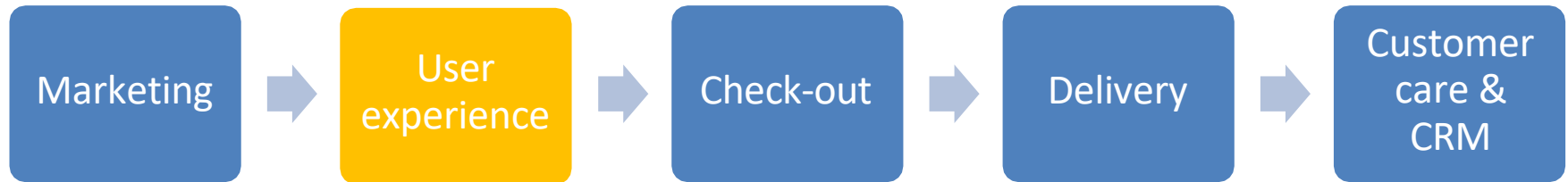
Headline Search Ads

Target by keyword

Appear above search results.

Product Display Ads

Target by keyword

Appear on related product pages.

The eCommerce customer journey

Marketing → User experience → Check-out → Delivery → Customer care & CRM

User experience

Key-challenges:

- Content customization (e.g., myAmazon)
- ROPO experiences

Augmented in-store experience + The rise of pop-up and urban stores

Destination store where spend time and hang out, augemented reality app to enrich the shopping experience
+
Temporary, flagship, down-sized urban stores

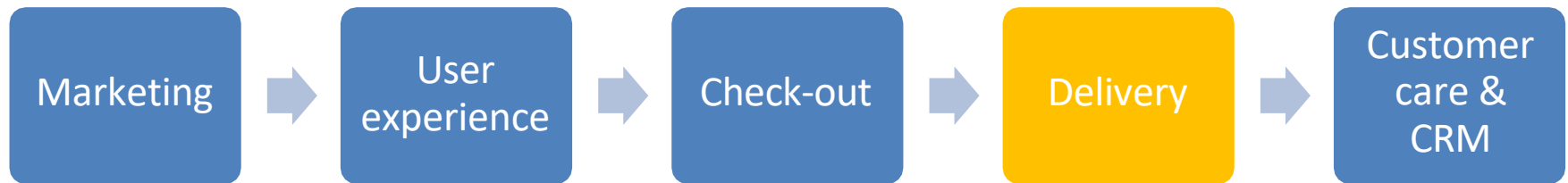# The eCommerce customer journey

Check-out

Biggest changes occurring in the industry:

- enlargement of payment options (eWallets, cryptocurrency)
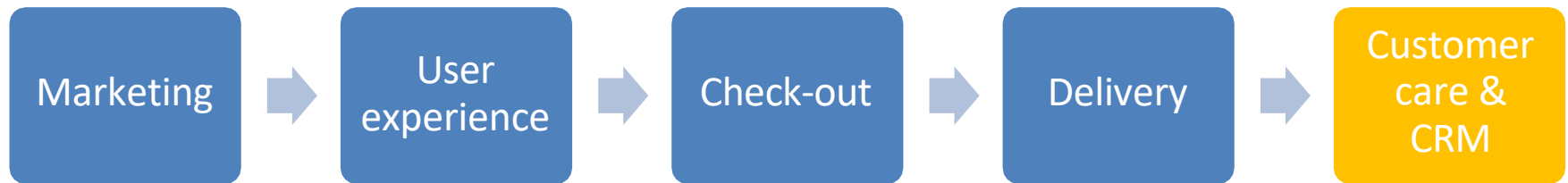- Fast checkout options

The eCommerce customer journey

Marketing → User experience → Check-out → Delivery → Customer care & CRM

Delivery

Key decisions:

- Options
- Delivery points
- Fees
- Slots
- Intermediaries

The eCommerce customer journey

Customer care & CRM

Marketing automation	Customer service and return policies
Cross-selling & upselling strategies	Data trading

CHANNEL CONFLICT

Channel conflict: definition

Channel conflict occurs when:

- manufacturers disintermediate channel partners, selling directly to the consumers; or

- Intermediaries compete with each other; or

- Intermediaries extend their area of operations

Possible consequences:

- Decreased distribution

- Price point loss

- Loss of positioning

Types of conflicts

Vertical	• Manufacturer vs intermediaries
Horizontal	• Retailer vs retailer (potentially good for the customer, but generally pushing prices down, with possible negative consequences on positioning)
Cross-category	• A retailer enters a new category (e.g., Amazon PrimeNow)
Multichannel	• Multiple vertical conflict

Some practitioner readings

https://thegood.com/insights/overcoming-channel-conflict/

https://www.bigcommerce.com/blog/channel-conflict/#what-causes-conflict-between-these-channels