KANTAR · CATALYST

The State of Ecommerce 2021

Navigating the new world of omnichannel commerce and retail media

A landmark study by Catalyst and Kantar

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Foreword

"The State of Ecommerce 2021" is a landmark study by Catalyst and Kantar intended to inform the marketing efforts of brands and advertisers across ecommerce and retail media. The concept was simple: create a foundational study that includes perspectives from shoppers, marketers, retailers, and partners that accurately reflects the opportunities and challenges of the industry going into 2021. We found that there was no single body of work that pulled together stakeholders to deliver a holistic view of the rapidly evolving ecommerce and retail media landscape, so we set out to write one of the most comprehensive studies available today.

To achieve this goal, we launched two quantitative surveys to 500 online purchasers and 200 industry professionals across brand, shopper marketing, ecommerce, and advertising specialties. The professional survey targeted industry leaders holding titles from manager through executive vice president who work for, or with, companies that have annual sales ranging from USD 100 million to more than USD 10 billion, across more than 17 categories. Additionally, our report was informed by nearly two dozen qualitative interviews from leading manufacturers including L'Oréal, Colgate-Palmolive, Georgia-Pacific, Seagate, GSK, and Dorel Juvenile. We also interviewed investors, technology partners, and retailers including Google, Amazon Advertising, Walmart Media Group, Pinterest, Instacart, CAVU Venture Partners, Salsify, Microsoft-PromoteIQ, Pacvue, and Kenshoo. Data for both quantitative surveys was collected in April 2020, and interviews were conducted between March and May 2020.

The impact of COVID-19 on ecommerce cannot be denied, and while there is no specific section dedicated to COVID-19 in this study, it is an inseparable part of the research, interviews, and analysis throughout this report.

Thank you for taking the time to read our study. We hope you enjoy it and encourage you to share it with your colleagues. As always, please reach out if you have any questions or would like to share your feedback.

Executive Summary

The ecommerce channel has delivered consistent double-digit year-over-year growth prior to COVID-19, and Kantar projects 2020 to be the strongest year yet with +22% growth driven by the massive shift from offline to online. With this new wave of ecommerce acceleration in 2020 as the backdrop, Catalyst and Kantar dove deeper to uncover the why and the how behind online shopper behavior and the industry response.

Our research unveils new, powerful insights that deliver clear calls to action for winning in ecommerce as we navigate this unprecedented time period. Evolving shopper behavior illuminates new priorities for online shopping touchpoints, resets our expectations of shopper convenience over price, and sheds new light into the growing value of ecommerce ads and social commerce. We found that leading companies are breaking down silos by connecting retail media to other platforms for maximum impact throughout the funnel, and it reveals how brands and agencies are planning and spending more across digital ad platforms. Manufacturers continue to lean on their partners for deeper capabilities around metrics and we share the new skillsets required for ecommerce partners moving forward.

While the traditional goal of the product detail page (PDP) remains the same, to drive conversion, our research also lays out important changes to the value of the PDP throughout the shopping journey, including increasing engagement transcending generations and devices. As brands grapple with measuring the effectiveness of retail media, many are moving beyond return on ad spend (ROAS) as the only measure of success and implementing more robust measurement frameworks that better align with their overall business objectives, which allows them to execute unique ecommerce strategies across retailers.

COVID-19 has broken autopilot and thrust brands and retailers into deeper partnerships with each other across data, performance measurement, and shared responsibility for growth. Online grocery and last mile delivery partners, such as Instacart and Shipt, are commanding new levels of attention and investment, resulting in new opportunities for brands in categories outside of typical food products. All of this acceleration is leading to new standards for excellence, shifting from a fixed, long-term strategic planning mindset to one that values progress through continuous momentum, comprised of small steps and learning initiatives.

Some of the recommendations may seem familiar, as updates to time-tested ecommerce tactics, while others are meant to prepare brands to execute in ambiguous and uncomfortable places. One thing is for certain: the skills, technology, strategy, and tactics developed over the last 12-24 months are no longer producing the results that they once did. The game has changed and even the slightest underperforming tactics will have consequences, allowing competitors and nimble newcomers to take market share from complacent onlookers. Kantar, with our global retail and shopper insights and consulting capability, and Catalyst, with market-leading search, social, programmatic and retail media marketing capabilities, are here to guide you through these times of disruption, risk, and opportunity with the actionable insights to excel in the next wave of ecommerce.

Key Stats

63% of shoppers who visit Amazon or Walmart.com visit these sites for initial product research

37% of all online buyers visit retailer websites/apps prior to the moment of purchase

66% choose a retailer based on convenience, while only **47%** choose a retailer based on price/value

54% of shoppers, who are exposed to advertising, say that it helps remind them of something they need, or it prompts an idea for something they want

59% of online purchasers are aware of social commerce

72% of ecommerce professionals use Facebook for digital marketing activities

Two-thirds of brands investing in Amazon Advertising or Walmart Media Group have increased their investments

56% of agency professionals say that they expect more RFPs in ecommerce and retail media in 2020

49% of online purchasers scroll past page 1 to look for what they want

Only **37%** of ecommerce professionals say they are focused on optimizing their PDPs for SEO across the online platforms they use for digital marketing

56% of ecommerce professionals are allocating funds to data and analytics, making it the top ecommerce service budgeted for

63% of Instacart users plan to use the service more in the future

44% of ecommerce professionals say their company is selling 3P

Insights

1. Evolving shopper expectations

Prioritize convenience and discovery

Today's shopper journey is broader than ever. Not only do consumers shop a range of retailer sites, they also shop using traditional search engines and social media platforms. Furthermore, they use these platforms for a variety of activities during their cross-channel shopping journey. Among those who visited these specific sites, 50% searched for inspiration on Instagram, 50% discovered new products or brands on Google, 63% did their initial product research on Amazon, and 63% compared products or prices on Walmart.com.

While shoppers tend to use social media platforms more for inspiration and discovery, retailers and traditional search engines still play an important role in these shopping activities. While shoppers visit retailer sites more for research and product/price comparisons, they also use search and social sites for the same activities. Cross-platform shopping is the hallmark of today's online purchaser, cementing the importance of integrating retail, search, and social strategies.

Figure 1. Consumer shopper journey across leading sites

Legend: ■ Search for inspiration ■ Discover new products / brands ■ Initial product research ■ Product/ price comparisons

Site	Search for inspiration	Discover new products / brands	Initial product research	Product/ price comparisons
Amazon.com	38%	55%	63%	60%
Target.com	39%	60%	62%	48%
Walmart.com	30%	51%	63%	63%
Twitter	46%	64%	51%	39%
Instagram	50%	62%	45%	33%
YouTube	49%	54%	48%	34%
Google	35%	50%	53%	43%
Yahoo	44%	54%	46%	34%
Facebook	44%	55%	44%	37%
Costco.com	26%	52%	57%	36%

Read as: 63% of shoppers who visited Amazon in the days leading up to a purchase did so for initial product research.
Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020
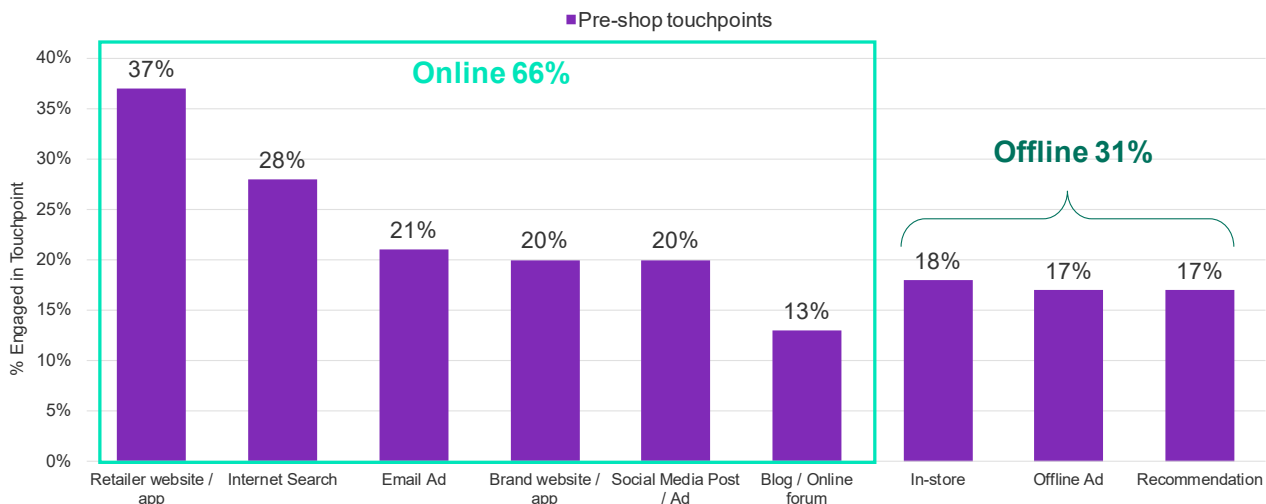
Retailer Sites and Apps: Critical Steps on the Path to Purchase

Shoppers rely on retailer sites and apps more than any other touchpoint in the days and weeks leading up to a purchase. When we consider the ecommerce consumer's path to purchase, most online purchasers are, not surprisingly, influenced primarily by online touchpoints; however, nearly one-third say that offline touchpoints helped them make their purchase decision, further highlighting the importance of omnichannel approaches. "The retailers who will thrive after all of this will continue to blend seamless online and offline flow," said Joniece Hinds, senior manager for integrated media at Georgia-Pacific. Stephen Howard-Sarin, vice president of strategy and development, Walmart Media Group, sees similar value in connecting online and offline experiences saying "The landscape until now has focused on delivering ads based almost solely on online insights. While online is a critical area for retail, and Walmart is constantly looking for ways to create trusted customer-centric online experiences, the reality is that in-store sales data is a key piece brands can't afford to miss."

Online shoppers who ultimately purchased were more likely to visit retailer websites/apps (37%) than any other touchpoint while shopping. Internet search ranked second with 28% of online purchasers using it during the shopping process.

Figure 2. Online purchasers' pre-shop touchpoints

Legend: ■ Pre-shop touchpoints

Online 66%

Offline 31%

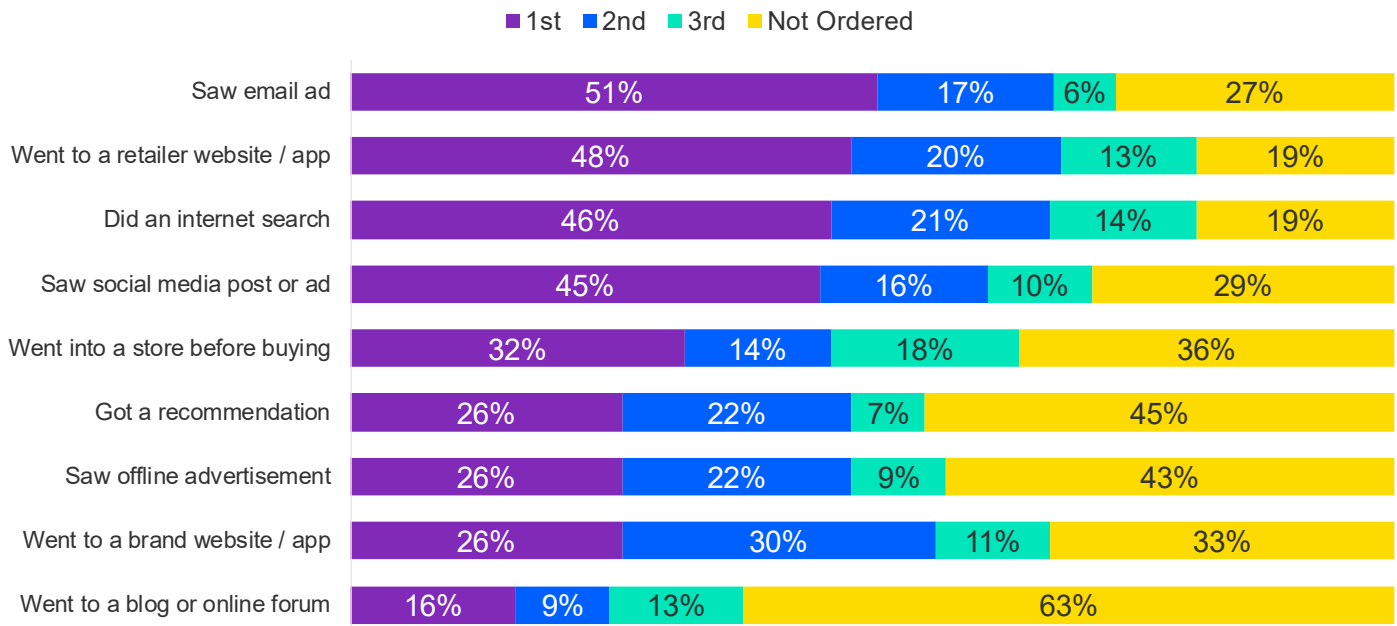| Touchpoint	% Engaged in Touchpoint
Retailer website / app	37%
Internet Search	28%
Email Ad	21%
Brand website / app	20%
Social Media Post / Ad	20%
Blog / Online forum	13%
In-store	18%
Offline Ad	17%
Recommendation	17%

Read as: Among all online purchasers, 37% visited a retailer website/app in the days or weeks leading up to a purchase.
Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

Among those who went to a retailer website/app, nearly half (48%) indicated they did so first, and for those that did an internet search, 46% did so first. This reinforces the importance of these touchpoints as critical first stops along the shopping journey, a key insight for brands to consider when they want to engage the shopper early in the decision-making process.

Figure 3. Order of pre-shop touchpoints

Legend: ■ 1st ■ 2nd ■ 3rd ■ Not Ordered

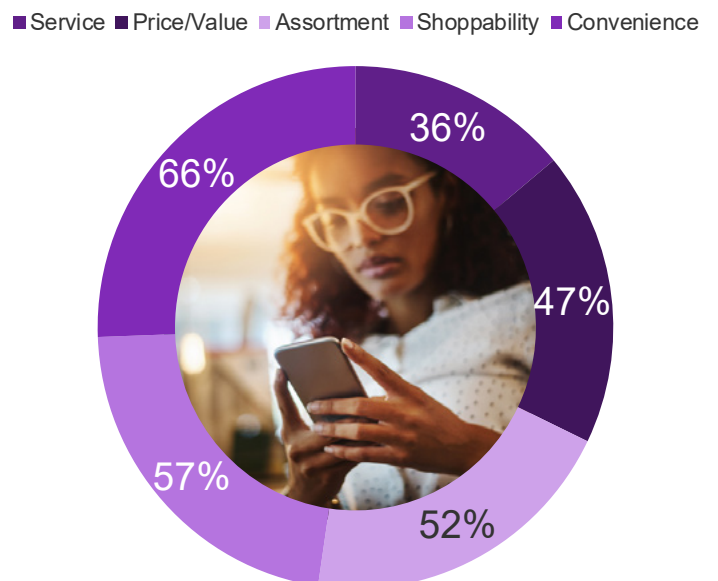| Touchpoint	1st	2nd	3rd	Not Ordered
Saw email ad	51%	17%	6%	27%
Went to a retailer website / app	48%	20%	13%	19%
Did an internet search	46%	21%	14%	19%
Saw social media post or ad	45%	16%	10%	29%
Went into a store before buying	32%	14%	18%	36%
Got a recommendation	26%	22%	7%	45%
Saw offline advertisement	26%	22%	9%	43%
Went to a brand website / app	26%	30%	11%	33%
Went to a blog or online forum	16%	9%	13%	63%

Read as: Among those who went to a retailer website/app in the days before purchase, 48% did so first.

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

Shoppers Value Convenience Over Price

66% of online purchasers say that convenience is the main reason they choose to purchase at a specific retailer, while only 47% say price/value is the main reason. Ahead of price, consumers also value assortment (52%) and shoppability (57%), an important call to action for brands considering new online product assortment strategies as well as ensuring that their products are shoppable across the growing long tail of online retailers.

Figure 4. Main reason for choosing a retailer for product purchase

Legend: ■ Service ■ Price/Value ■ Assortment ■ Shoppability ■ Convenience

- Service: 36%
- Price/Value: 47%
- Assortment: 52%
- Shoppability: 57%
- Convenience: 66%

Read as: 66% of online purchasers say convenience is the main reason they choose to purchase at a specific retailer.

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

Shoppers Finding Digital Ads Helpful

To better understand the value of online advertising from the shopper perspective, we asked about the utility and helpfulness of media designed to target and drive purchase. The results illuminated some key insights, including that 54% of those exposed to an ad or promo while shopping said that these ads or promos were helpful reminders of something they needed, or prompted an idea for something they wanted. As a group, 20% of total online purchasers said that advertising is helpful to them while shopping.

Ryan Mayward, Amazon's global head of agency development, also suggests that beyond just being helpful, ecommerce and online shopping give shoppers a sense of enjoyment or pleasure. "Historically, you thought of Amazon as a place where you could come to quickly find what you were looking for, place your order, and move on with your day. It was largely oriented around product shopping and discovery. But we are seeing customers increasingly use Amazon to discover new brands and we are seeing brands use Amazon as a solution to deepen engagement with customers." Mayward said.

Social Commerce Gaining Momentum

We aspired to learn more about the strong engagement that shoppers have with social media and how this translates into social commerce. We asked shoppers about their awareness and willingness to purchase products through social media.

In our research, 59% of online purchasers are aware of social commerce, and among those who are aware, 61% are likely to purchase from social sites in the future, underscoring social commerce's growth potential. Another one of our key findings is that social shoppers cited the ability to access unique products as a top reason for purchasing on social media. As social media platforms continue to gain influence, brands are taking note: 19% of industry professionals reported significantly increasing their budgets for social media ads.

Figure 5. Likelihood of buying from a social commerce site

■ Very likely ■ Somewhat likely ■ Not very likely ■ Not at all likely

26%
35%
24%
15%
61%
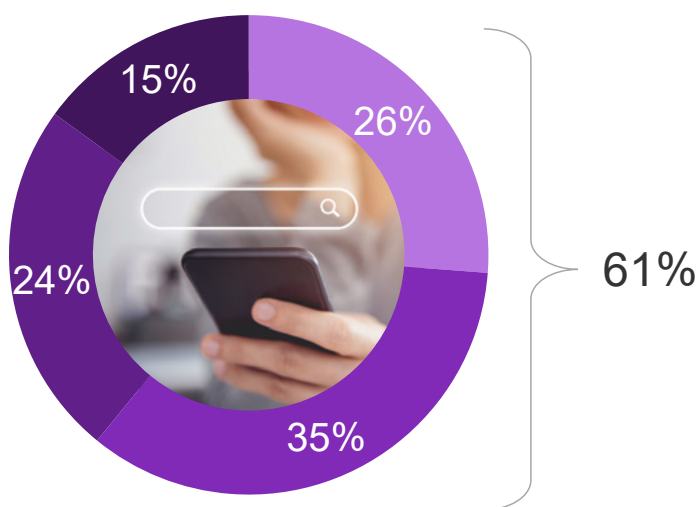
Marketers and agencies are finding new ways to understand the value that social platforms can bring to brands: capturing people's interests, lifestyles, and activities typically associated with the "upper-funnel". Connecting with the billions of monthly active and engaged users is a rich and complex opportunity that goes beyond simply including a "Buy It Now" button on your post. Kieley Taylor, global vice president of social media for GroupM Services, says their huge scale and rich intent data make social platforms well suited for full-funnel marketing campaigns. "As the platforms continue to innovate on driving direct site traffic, collaboration with traditional retailers, and on-platform purchase, their value to advertisers continues to grow," she said. "Now is the time to think about how to drive lifetime value, not likes, with social sites."

Read as: Among those aware of social commerce, 61% are likely to buy from social sites in the future.
Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

2. Breaking Media Silos

Eliminate waste and improve effectiveness across platforms

Retail media has been growing significantly over the last several years as retailer websites have invested in more opportunities for brand promotion. Marketers, looking to impact purchase as much as possible, have responded to the promise of more shopper influence and measurable return. Retail media goes beyond Walmart, encompassing more than ecommerce to include search engines and last mile delivery platforms. The value that it represents to marketers extends past a simple conversion perspective, according to the experts we interviewed. Many of the most successful have adopted a cross-channel retail media approach that includes traditional retailers as well as search, social, and programmatic advertising, creating new opportunities through thoughtfully connecting the shopper experience throughout the journey.

How are brands achieving a cross-channel retail media approach? The first step is integrating retail media into all broader media discussions, fueling integration, efficiencies, and insights that support omnichannel approaches. "Retail media increasingly can help brand managers build awareness and consideration for their brands. It's no longer just a tool for driving sales at the end of the media funnel. It deserves to be at the seat of every single media plan out there. It is a standard mandatory investment for all of our strategic brands." Steve Kinsey, GSK's director of commerce marketing.

Kerry Curran, executive director of marketing and growth, Catalyst, has a similar perspective. "Marketers used to focus on stats around where the shopper starts their journey to prioritize their advertising investment, but what we're seeing is a need for an omnichannel strategy that integrates both traditional search channels like Google and ecommerce sites like Amazon and Walmart.com." The top five platforms for digital marketing activities effectively cross social, search, and retail; however, online shopping behavior indicates that there is opportunity to expand and integrate further, not just from an experience perspective, but also from an investment and attribution perspective.

Figure 6. Top five platforms for digital marketing activities

72%

67%

61%

50%

49%
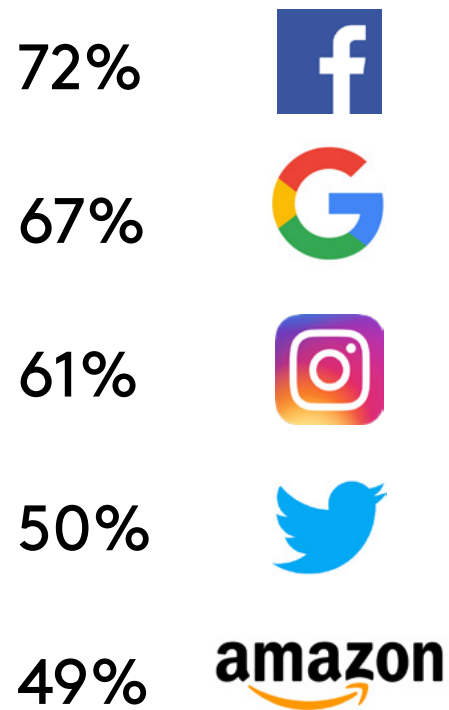
Read as: 72% of companies use Facebook for digital marketing activities.

While our research indicates that omnichannel retail media programs will continue to be important in the future of ecommerce, many of the experts interviewed realize that it will not be easy to execute. The increasingly long list of retailer websites, ecommerce ad tech providers, and capabilities — as well as the acronyms that go with them — can be difficult to navigate for even the most seasoned ecommerce or shopper marketing experts. Many manufacturing-side marketers are leaning into technology and agency partners with specialty knowledge to help them navigate the increasingly complex landscape. Alex Sherman, chief executive officer & co-founder, Microsoft-PromoteIQ told us that "If agencies want to maintain their leadership position in the media space, they need to create centers of excellence dedicated to retail media that can help brands navigate and take advantage of this retail media opportunity."

Figure 7. 2020 Spending plans on digital ad platforms

	Increasing	Same	Decreasing
Amazon Advertising	67%	24%	9%
WMG (Walmart) advertising	67%	24%	9%
OTT/CTV	66%	24%	10%
YouTube ad	66%	23%	11%
Social media ad	63%	28%	9%
Podcasts	60%	30%	11%
Email marketing	57%	36%	7%
Paid search	57%	32%	11%
Target advertising/Roundel	56%	37%	8%
Audio	54%	26%	19%
Digital out-of-home advertising	53%	24%	24%
Organic Search	51%	41%	8%
Kroger advertising	50%	27%	23%
Product listing ads	49%	46%	6%
Influencer marketing	47%	35%	18%
Display ad	44%	38%	18%

Read as: 67% of professionals investing in Amazon Advertising plan to increase their budgets for this platform.
Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

The New Hierarchy of Spending Across Media Channels

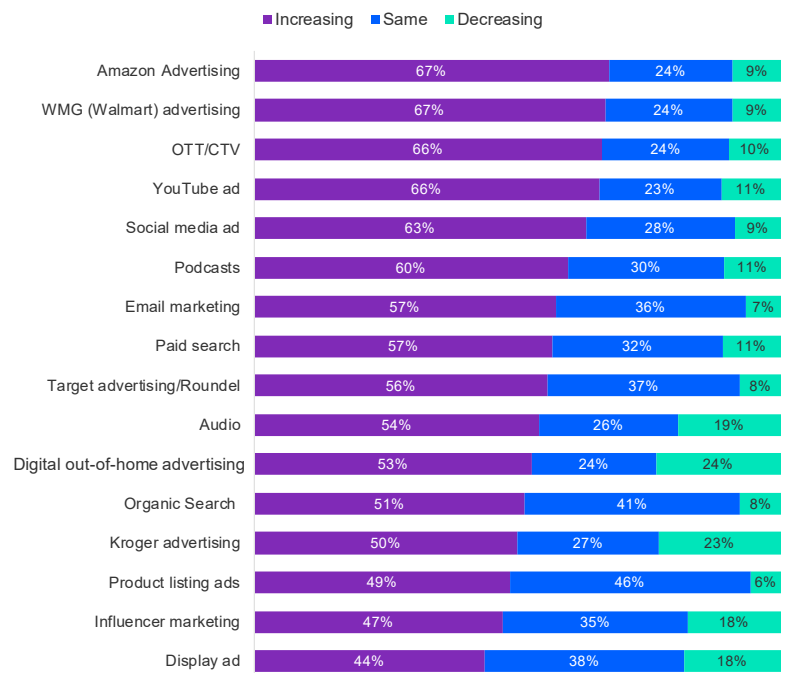Marketers are putting more money into emerging media channels, many of which can now be managed programmatically. While the most significant budget increases remain with more traditional media, marketers investing in emerging platforms also plan to increase their budgets with these platforms. Podcasts, OTT/CTV, audio, and digital out-of-home (DOOH) advertising are starting to receive more attention.

That said, our research shows that social media ads had the highest percentage (19%) of marketers reporting significant budget increases, followed by email marketing (15%), YouTube ads (13%), and paid search (12%). Organic search, displays ads, and Amazon Advertising (11%) tied for fifth place. Moreover, two-thirds of professionals investing in Amazon Advertising, Walmart Media Group, OTT/CTV, and YouTube plan to increase their investment on these media channels. Lastly, 90% of professionals overall reported that they were increasing budgets in at least one media channel, and 44% say the funds are from new, incremental budgets.

Lean Into Experts

Agencies, such as media agencies and ecommerce specialty agencies, often play a supporting role in the success of a brand's holistic, omnichannel digital marketing program, including ecommerce. According to our study, many ecommerce professionals are leveraging some combination of in-house teams and agency teams to manage ecommerce channels like Amazon, Target, and Kroger. "When agencies can bring integrated commerce approaches, benchmarks, and insights to the table, they become a valuable partner for brands when considering retail media implementation," shared Paula Hunsche, senior vice president, client engagement, GroupM Commerce.

We found that brands primarily operate with a hybrid model for Amazon Advertising, with 61% of professionals investing in this platform reporting that they manage Amazon both in-house and with an agency. Hybrid models were also reported for other top tier retail media teams including Kroger (46%), and Target (36%). On the other hand, Walmart Media Group (WMG) tends to be either managed exclusively in-house (34%) or exclusively by agencies (34%), a trend largely attributed to Walmart's recent launch of its self-serve platform.

Agencies expect more opportunities to support brands' retail media efforts with 56% of agency respondents saying they expect more RFPs in ecommerce and retail media in 2020. When asked about what will differentiate media agencies in these RFPs, Vlad Lubimov, senior director of programmatic services of Xaxis responded, "Platforms and tools used to be a key differentiator in pitches, favoring agencies with the resources to develop custom tools. Now, as the market has matured, the technology is more ubiquitous, and it's more about how you demonstrate what you can do with the technology, rather than possessing it alone."

John Denny, vice president of ecommerce and digital marketing at CAVU Venture Partners, shared a similar sentiment, saying, "In order for brands to compete today, not only do you need to find the best agencies leveraging the best tech, but your partners need the right strategies, particularly those that demonstrate a firm command of execution across channels, platforms, and retailers".

"Agencies bring specialty knowledge that can help brands navigate the complex retail media opportunities, guiding where to invest, and more importantly, where not to. Agencies are acting as an arbitration layer between media owners, and brand investment budgets, comparing opportunities across platforms and channels to guide overall investment performance regardless of where the media is purchased or ultimately delivered", said Todd Szahun, senior vice president of ecommerce and new retail at Kantar.

Figure 8. How activity is managed across digital advertising platforms
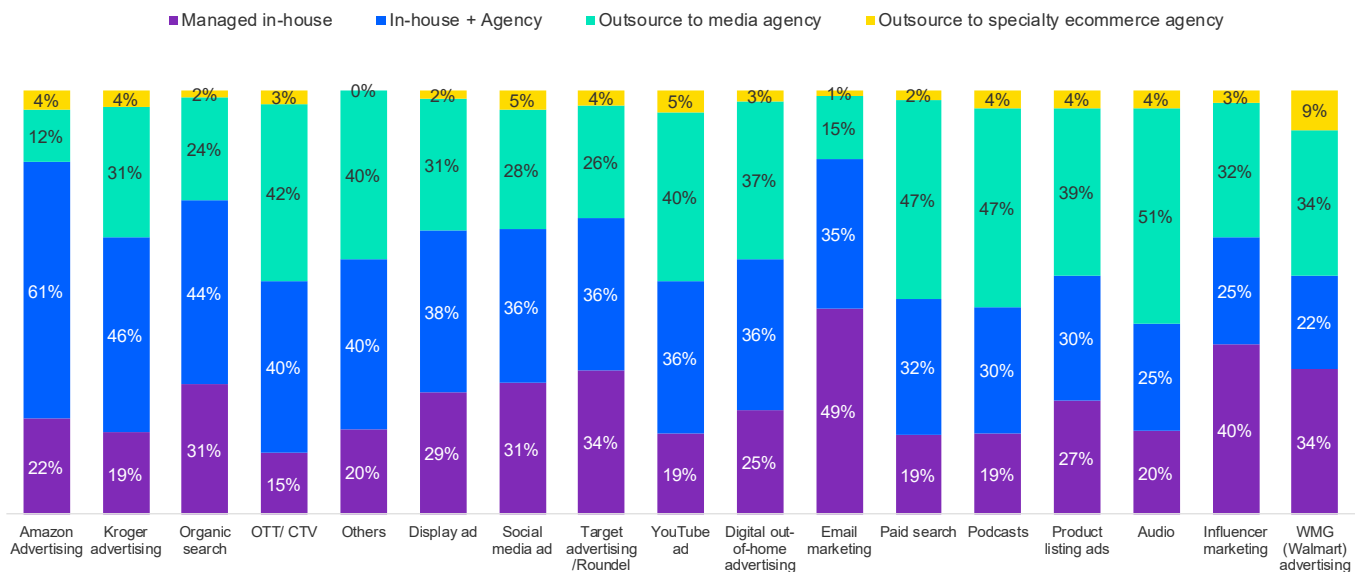
Read as: 61% of professionals investing in Amazon Advertising report managing both in-house and with an agency

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

3. More than conversion

The power of the product detail page

Across many of our interviews, it was clear that marketers valued the product detail page (PDP) for its important role in driving conversion. Our study revealed that, among all online purchasers, nearly half (45%) indicated that they visited a PDP at the time of purchase, and 41% of those that ranked any touchpoint as #1 said PDPs had the biggest influence on their purchase.

Figure 9. Shopper touchpoint at time of purchase
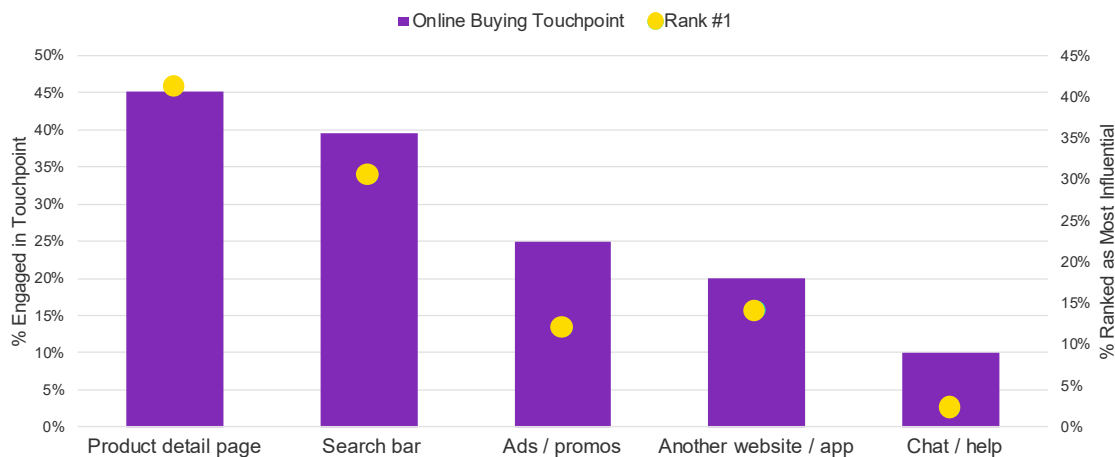
Read as: Among all online purchasers, 45% visited a PDP at the time of purchase and 41% of those that ranked any touchpoint as most influential said PDPs had the biggest influence on their purchase
41% rank as #1
Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020.

We also found that shoppers do review PDPs beyond the first page, with 49% of online purchasers reporting scrolling past the first page to look for what they want, especially for general merchandise. For younger generations, the rate is even higher: 56% of millennial and 54% of Gen X online purchasers scroll past the first page when researching products and brands.

Rob Gonzalez, chief marketing officer & co-founder at Salsify, has summed up this opportunity by saying "the search bar and product detail page are the primary places where consumers will interact with your brand...the PDP is your brand marketing — most companies don't understand this. Millions of dollars are spent on the brand's website, but only a small fraction on the PDP, but it should be opposite."

Despite the PDP's importance, only 37% of ecommerce professionals reported being focused on optimizing their PDPs for SEO across the online platforms they use for digital marketing. Best-in-class ecommerce professionals frequently optimize PDPs, employ full-funnel retailer-specific search and content strategies, and enhance images to maximize the performance on each retail site.

Search: Important Across Age, Platform, Touchpoint

Search is reported as the second most important touchpoint after PDPs that online purchasers use at the time of purchase. In fact, 40% of online purchasers use search at the time of purchase, and 30% of those that ranked any touchpoint as most influential say search has the biggest influence on their purchase. This transcends generations and age groups, with 53% of millennial online

purchasers reporting the highest level of search at the time of purchase, followed by Gen Xers (35%) and boomers (33%).

Search is not exclusively an upper-funnel or lower-funnel tactic. Regardless of retailer or search engine, search plays an important role in the shopper's full-funnel experience. Regarding Google's role in the full shopper journey, Jane Butler, Google's managing director of pure-play retail, said, "Google is the connective tissue for shoppers to discover, see reviews, compare products, and ultimately purchase."

Our survey revealed that, among ecommerce professionals with a clear and differentiated ecommerce strategy, the "changing role of search marketing" was cited as one of the trends with the greatest impact on their ecommerce marketing strategy. Search, both on search engines and on retail sites, is a proxy for consumer interest, intent, and the primary way shoppers navigate purchase. While professionals reported tapping into search as an output to inform their search and content strategy, they also reported using search as an input to inform competitive positioning, business decisions, and product development efforts.

"When retailers work with the search teams, it often changes the nature of the conversation. A search team's skillset will push conversation to the nature of the marketplace, buying functionality and sophistication, and how viable a path to conversion each tactic or placement is. Search teams will reference similar experiences from within retailer networks plus familiar marketplaces to protect brand budgets and drive performance, while pushing retailers to innovate." Riyaad Edoo, senior partner, U.S. search & ecommerce lead for a CPG client, Mindshare.

Non-branded Terms: A Route to Discoverability

Non-branded product search exceeds branded search in ecommerce, with 37% of online purchasers reporting searching a specific type of product, while 31% search for a specific brand. This online shopping behavior has improved a brand's ability to be discovered through investing in non-branded search. While many of the professionals interviewed cited a blend of both branded and non-branded keywords as part of a holistic search marketing strategy, the increase in online shopping over the last four months and subsequent increase in search marketing has made it more expensive to compete, and it is forcing professionals to make tough choices about where to play.

Amazon Advertising's Ryan Mayward says customers come to the store to discover new brands. In fact, the "majority of customers are using category shopping terms when they shop on Amazon, which means they generally know what they are looking for, but are not brand-specific," he says. "This is an indicator that they may be open to new brands." Mayward said that "69% of shopping queries on Amazon don't have any specific brand name in them."

Building a non-branded strategy doesn't mean going all-in on top category terms either. "If you are a niche specialty dog food brand, you may decide to not bid against the term 'dog food' even though it is one of the most popular keywords in the category. Instead, your winning strategy might be in targeting other lower-volume non-branded keywords that are more closely aligned with your brand positioning, like 'organic dog food', 'puppy dog food', etc. This is especially true if you are in a highly competitive category such as pet food, where numerous mega brands are bidding on those top search terms and driving up the cost." said Riku Laitasalo, account director, Pacvue.
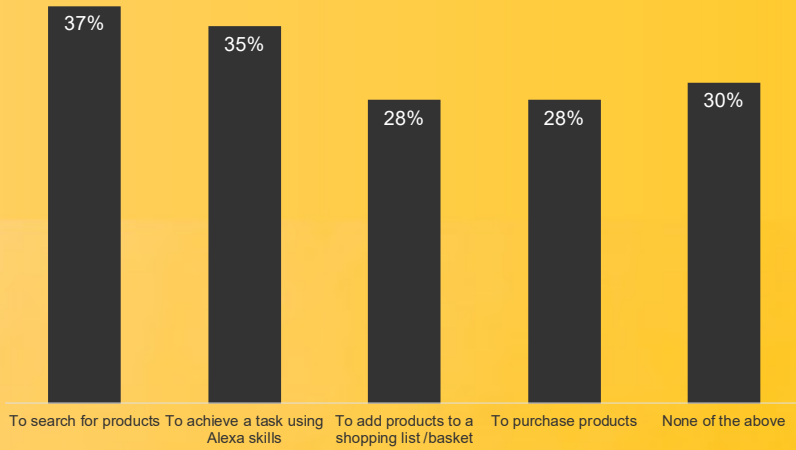
The Future of Search

Some of the key trends we uncovered regarding the future of search advertising include: personalization, voice search, and visual search.

While many brands have reported looking for opportunities to personalize their overall offer, personalization in search is more nascent, and an area to watch over the coming year. Google, one of the pioneers of personalized search, believes that the future of retail and product search will only become more personalized. "Personalization is still in its infancy stages, which will accelerate as it yields strong dividends for both consumers and retailers," said Christina Brandeberry, managing director of shopping and performance at Google.

Nearly two-thirds of online purchasers (64%) own a voice-enabled device, such as Amazon Alexa, Google Home, or a voice-enabled smartphone. More than one-third of these consumers use their devices to search for products, and 28% use them to purchase products. According to our research, the main barrier to adopting voice search for commerce is that it is simply not a habit. More than half of respondents (51%) who have not used voice assistants for shopping tasks said the fact that it's not a habit has prevented them from using it.

Figure 10. Voice device uses

To search for products	To achieve a task using Alexa skills	To add products to a shopping list /basket	To purchase products	None of the above
37%	35%	28%	28%	30%

Read as: 37% of voice-enabled device owners use voice to search for products.
Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

As consumer voice behavior continues to increase, it also continues to evolve. Amazon Advertising's Ryan Mayward reports that, "We're starting to see adoption of shopping by voice, typically in the CPG vertical where customers are buying replenishable items. But I think the challenge of brand discovery remains."

Today, voice search advertising remains a lower priority for many organizations in our study; however, 18% of ecommerce professionals still rank it among their top three biggest opportunities over the next 12 months, a figure that increases to 20% over the next five years.

Visual search follows a similar pattern to voice, as Amy Vener, head of retail strategy and marketing at Pinterest reports, "Visual search is growing exponentially, but the dollars that brands spend haven't caught up yet." As more shoppers continue to shop online due to COVID-19, we see an increasing role for both visual search and virtual / augmented product experiences.

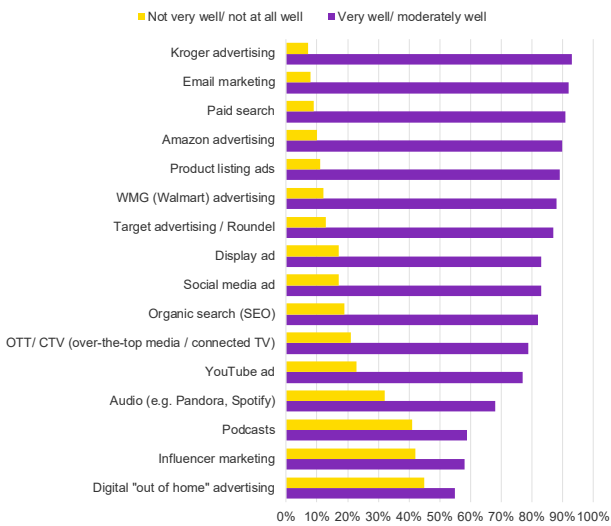# 4. Going beyond ROAS

Integrate media and KPIs for sustained growth

When it comes to measuring success across retailers, ecommerce professionals express varying degrees of confidence in their ability to measure return on investment. Most agree that measuring success is achievable across digital advertising, but more challenging for emerging platforms, such as podcasts, OTT/CTV, and audio.

Figure 11. Level of ability to measure ROI, by media platform

Legend: ■ Not very well/ not at all well   ■ Very well/ moderately well

Platform
Kroger advertising
Email marketing
Paid search
Amazon advertising
Product listing ads
WMG (Walmart) advertising
Target advertising / Roundel
Display ad
Social media ad
Organic search (SEO)
OTT/ CTV (over-the-top media / connected TV)
YouTube ad
Audio (e.g. Pandora, Spotify)
Podcasts
Influencer marketing
Digital "out of home" advertising

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Among ecommerce professionals who used Kroger advertising in the last 12 months, 93% indicated that they were able to measure ROI very well or moderately well, while only 59% say the same for podcasts.

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

Regardless of the platform, when discussing measurement in our interviews, one thing was clear: Brands must think beyond return on ad spend (ROAS). "If companies aren't careful, they are going to ROAS themselves into a corner," said Kristina Smith, vice president of digital marketing at The Riveter.

Many marketers admit it's tempting to rely primarily on ROAS to gauge success, but ROAS does not provide the full picture. "ROAS is a very crude and very incomplete data point. We look at it, we measure it, we monitor it because it is an easy number to calculate, but it can be highly misleading," said Steve Kinsey, GSK. Pacvue's Riku Laitasalo echoed that sentiment as well, "There are certain keywords that will never be ROAS positive...It is all about looking at it through the perspective of your total portfolio as well as the long-term benefit for your company."

The industry professionals we spoke with on this topic all recommend considering a range of other metrics to create a more complete picture of performance. Trevor Krehel, channel marketing manager at Seagate, suggests looking at share of search as a key retail media metric, which "helps us balance ROAS with how advertising is performing and growing relevancy within products." He said you have to look at metrics together to make sure the "retail business is driving the advertising business and vice versa."

Some brands also find out the hard way that ROAS goals often conflict with their business goals. Mindy (Martin) Fashaw, chief operating officer, Pacvue, shared an example of a client that wanted to improve ROAS and drive incremental new customers — two competing goals. "If you're acquiring new customers, that is going to take investment, and therefore, you cannot expect to increase return on investment."

The Data Dilemma

Most organizations agree that having better data analytics is the key to growth. In fact, when asked about the top area of allocation within ecommerce budgets, the highest percentage of professionals (56%) said data and analytics services.

"Unfortunately, it's not enough to invest in data and analytics services. Brands must tear down silos and integrate data across teams. Finding and integrating all data sources in the company takes time, but it is the future," said Bob Land, vice president of consumer experience at Dorel Juvenile.

Many of the ecommerce professionals we spoke to reported sitting somewhere on the spectrum between simply leveraging data from the dashboards of their partners and bringing together cross-functional internal teams to review and analyze their partner dashboards as a group. For many brands, having the right data and infrastructure requires investing in developing a custom automated solution. "If you look at the brands that are really winning, it is when they are investing in their own technology and building their own expertise," said Melissa Burdick, co-founder and president, Pacvue. "They may be licensing a tool, but are also really focusing on building their own tech and ecommerce dashboards, getting types of data to understand the ecosystem within their company to manage inventory across retailers hosted within their companies."

While many manufacturers have stopped short of fully investing in building a custom integrated data solution in-house, there is broad consensus about the opportunity to better integrate and act on data more effectively, as well as set cross-team KPIs and processes to drive the business forward.

"Siloed teams within organizations — especially between sales and marketing functions — precipitate a lack of data sharing, battling information and data intelligence. The best organizations have coalesced these disparate functions into 'commerce marketing' structures, where all teams leverage the same cross-retailer data intelligence, aligning sales and marketing, agencies, and technology stacks."

— *Nich Weinheimer*
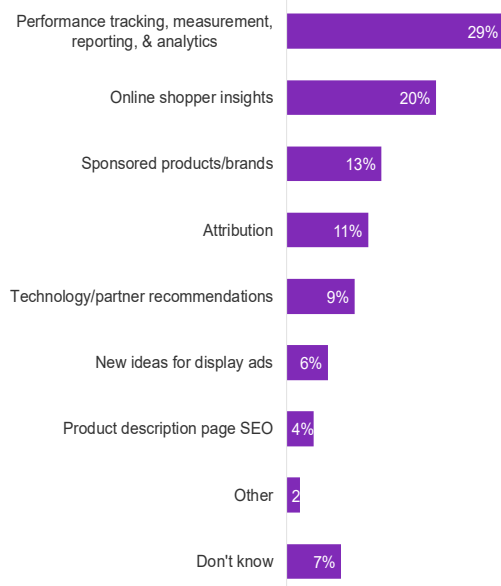*General manager of ecommerce, Kenshoo*

5. Open for collaboration

Brands need retailers and retailers need brands

We heard that using data within organizations more effectively is critical, and so is increasing transparency and sharing data and metrics between brands and retailers. Multiple ecommerce professionals cited the need for brands and retailers to increase understanding and sharing of data and performance measurement, as a key element to elevating their partnerships. When agency professionals were asked what the biggest opportunity area is for partnering with ecommerce retailers, the largest percentage (29%) said performance tracking, measurement, reporting, and analytics.
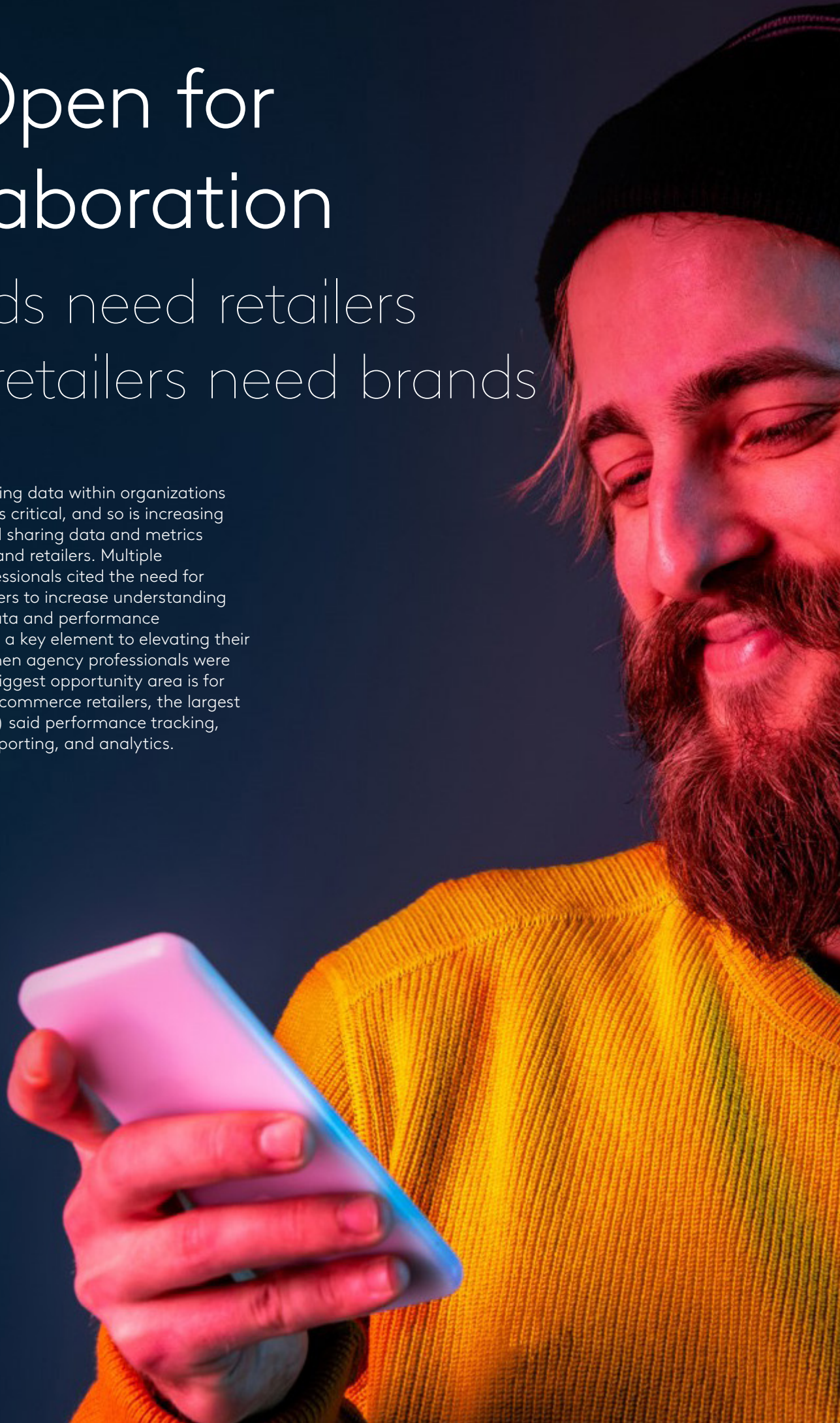
Figure 12. Biggest opportunity for partnering with ecommerce retailers

Performance tracking, measurement, reporting, & analytics	29%
Online shopper insights	20%
Sponsored products/brands	13%
Attribution	11%
Technology/partner recommendations	9%
New ideas for display ads	6%
Product description page SEO	4%
Other	2
Don't know	7%

Read as: 29% of agency professionals ranked performance tracking, measurement, reporting, and analytics as the biggest opportunity for partnering with ecommerce retailers.

Note: small base

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

However, retailers have a direct relationship with the customer, and that customer relationship is governed by terms and conditions. When discussing requests from brands and manufacturers for increased data sharing, Walmart Media Group's Stephen Howard-Sarin calls out the importance of customer trust. He says, the "customer did not consent to have the retailer sell their data to anyone else...the relationship between the retailer and customer is one of trust...we take that very seriously and honor our customer's requests."

Some of the leading manufacturers have begun to find new ways to partner with retailers to bridge the gap. "Retailers are understandably not always willing to share their 1P data, but I believe there are ways of sharing data between retailers and manufacturers that are equally beneficial, but also keeps confidentiality," said GSK's Steve Kinsey. "Different people at different retailers are willing to consider it, but we're not there yet in terms of implementation. We need to continue to look for opportunities to share data and be willing to partner and work with tech partners to allow sharing to happen so that it doesn't compromise confidentiality."
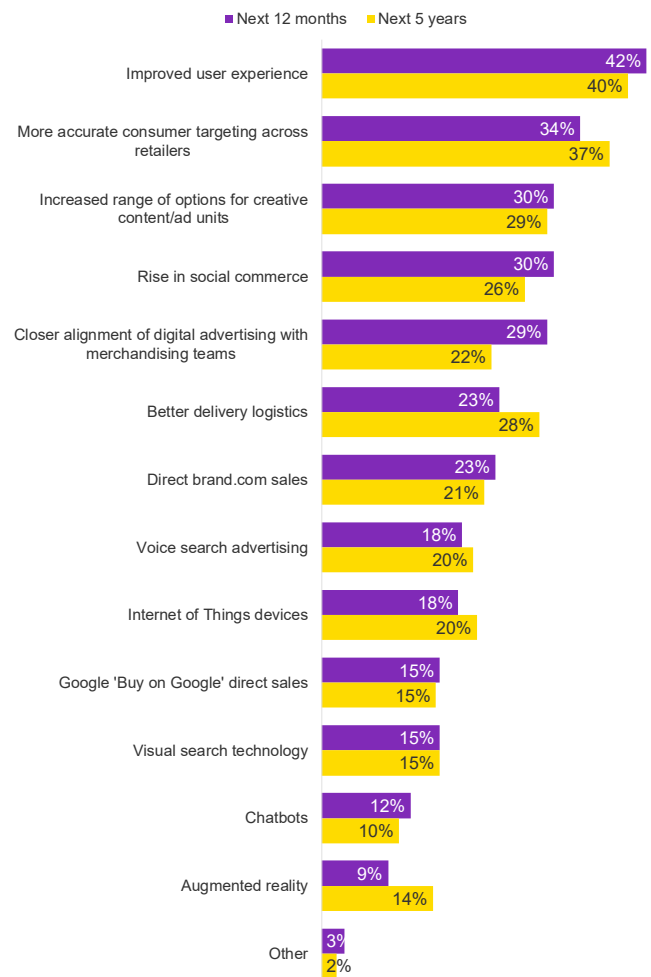
While better integrating data and getting shopper insights seems to come from multiple places across the ecosystem, the gaps in

delivery appear to be aligning manufacturer and retailer interests now, more than ever.

Sharing Responsibility for Growth

For many we interviewed, COVID-19 has accelerated other partnership trends between manufacturers and retailers aimed at growth. Some cited more lenient terms and conditions, while others signaled that the disruption helped bring forecasting and supply chain teams closer together as both manufacturers and retailers struggled to meet and anticipate demand. Our research shows that 40% of industry professionals agree that the biggest opportunity in ecommerce marketing in the next five years is improving the user experience. With ecommerce growing as rapidly as it is now, we see that this trend will only continue in an effort to improve the customer experience and maximize the sales potential.

Figure 13. Biggest Ecommerce Opportunity

■ Next 12 months ■ Next 5 years

	Next 12 months	Next 5 years
Improved user experience	42%	40%
More accurate consumer targeting across retailers	34%	37%
Increased range of options for creative content/ad units	30%	29%
Rise in social commerce	30%	26%
Closer alignment of digital advertising with merchandising teams	29%	22%
Better delivery logistics	23%	28%
Direct brand.com sales	23%	21%
Voice search advertising	18%	20%
Internet of Things devices	18%	20%
Google 'Buy on Google' direct sales	15%	15%
Visual search technology	15%	15%
Chatbots	12%	10%
Augmented reality	9%	14%
Other	3%	2%

Read as: 40% of industry professionals say that improving the user experience is the biggest opportunity in ecommerce marketing in the next five years.

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

Sustainability is the future

Amazon's announcement that it would be net-zero carbon 10 years before the Paris Agreement's goal further elevated an already-rising topic in ecommerce. Consumers expect retailers and brands to be more environmentally conscious in their choices. Our research shows that 70% of online purchasers are aware if the packaging they receive from an ecommerce order is recyclable or not, and when it is, 80% of those consumers, in turn, are recycling. Leading brands are incorporating their sustainability initiatives into product detail pages, product packaging, and advertising, raising consumer awareness and creating new reasons for sustainability-minded shoppers to purchase. Complexities abound as manufacturers and retailers build out their sustainability platforms, and leaders in the space are finding success by syncing plans and requirements early to drive efficiencies in the overall process.

6. The race to own "The Third Shelf"

The exceptional rise of online grocery and last mile delivery

Prior to COVID-19, Kantar projected that online grocery sales would nearly triple by 2024, and the pandemic has only accelerated that growth. Another major contributor to the rise in online grocery has been last mile delivery partners like Instacart. While these last mile partners have simplified the otherwise complex and costly tasks of shopping and delivery for retailers, they have introduced an entirely new workstream for manufacturers who wish to sell products on the platforms. In addition to managing the physical in-store shelf, and the online retailer digital shelf, manufacturers are now responsible for creating and optimizing their presence on the last mile delivery partner's website or app, or 'The Third Shelf'.
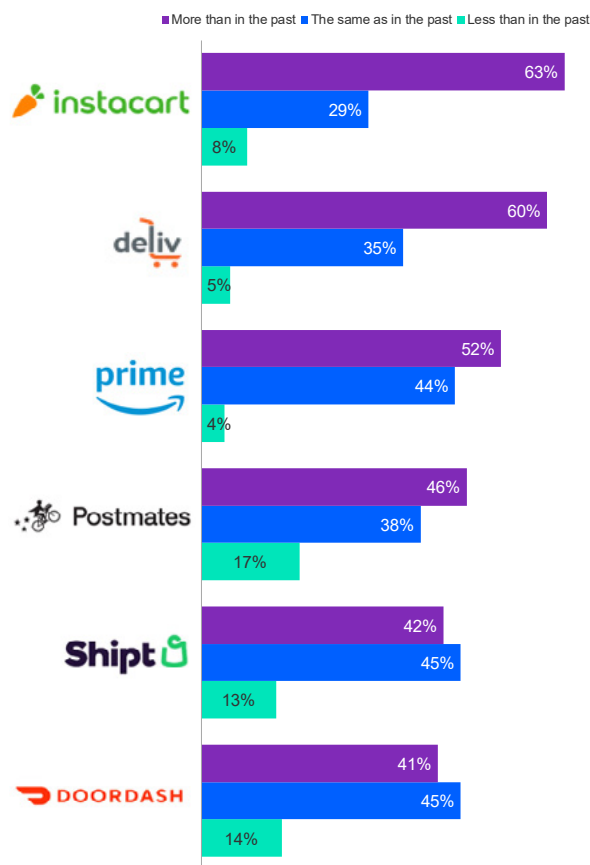
"The reason that product assortment doesn't match what might be available in the grocer is because brands who sell in the store are not automatically available on last mile delivery apps. At this point in time, manufacturer and retailer interests seem to be well aligned to support the expansion of products listed in last mile delivery partner ecosystems, to go well beyond the typical set of items currently available," said Kantar's Todd Szahun.

Though many retailers have sought the help of last mile delivery partners to support the delivery of groceries, one retailer stands out among its peers, offering true omnichannel grocery capabilities. Amazon offers a full suite of physical and digital grocery shopping options under the Amazon Grocery banner, from centralized shipping of shelf stable essentials via Amazon Pantry, to pick-up or delivery of fresh foods and produce within an hour through Whole Foods and Prime Now. Together, these initiatives have helped Amazon establish a formidable omnichannel grocery presence.

"The execution of omnichannel grocery really comes down to complex logistics, and Amazon has the head start when it comes to understanding and investing in the technology to deliver a great consumer experience, underpinned by logistical complexity," said Rachel Dalton, director of ecommerce and omnichannel insights at Kantar. "Brands should prepare for big shifts and integration across its range of grocery services as Amazon sets it sights on retailers and grocers that may have the competitive advantage of a larger physical footprint."

Amazon isn't the only one looking to grow its online grocery share. It's a top strategic priority for the retailers we interviewed as well as major omnichannel players and traditional grocers. With the pandemic creating so many new customers and new habits, online grocery and last mile delivery services are not only here to stay, but they are expected to grow. According to our research, online purchasers indicated that they plan to shop more with last-mile providers in the future: 63% who have used Instacart plan to use the service more in the future. The story is similar for other last mile providers.

Figure 14. Planned use of delivery services in the next year

Legend: More than in the past | The same as in the past | Less than in the past

instacart
- More than in the past: 63%
- The same as in the past: 29%
- Less than in the past: 8%

deliv
- More than in the past: 60%
- The same as in the past: 35%
- Less than in the past: 5%

prime
- More than in the past: 52%
- The same as in the past: 44%
- Less than in the past: 4%

Postmates
- More than in the past: 46%
- The same as in the past: 38%
- Less than in the past: 17%

Shipt
- More than in the past: 42%
- The same as in the past: 45%
- Less than in the past: 13%

DOORDASH
- More than in the past: 41%
- The same as in the past: 45%
- Less than in the past: 14%

Read as: Among those online purchasers who used Instacart, 63% plan to use the service more in the future.

Source: Catalyst and Kantar: The State of Ecommerce Landscape Study, April 2020

How far has COVID-19 accelerated online grocery? GSK's Steve Kinsey believes that, "COVID-19 alone has accelerated online grocery by about three to five years." Overall, the impact and influence of online grocery and last mile providers has created a huge shift, with implications for grocers and brands. Suddenly, grocers across the country are forced to invest in their online grocery platforms to meet immediate changes in shopper demand, or risk being left behind.

Online grocery is not just about food. It encompasses the full grocery store, so brands traditionally in the center aisles in store or brands whose products have not been well suited for ecommerce historically (like perishables) are just now evaluating their online grocery position given this massive transformation. Jessica Hauff, senior vice president, ecommerce & data activation, L'Oréal notes "Beauty has not been the first category of focus for many of our retailer partners from an ecommerce and O2O (Online to Offline) perspective, and the same was true for click and collect: grocery was the priority. Now everyone is realizing there is an opportunity to expand beyond grocery and we are partnering with retailers to elevate these other categories, helping to make it more convenient and engaging for shoppers, as well as increase basket sizes for retailers." "The opportunity with last mile delivery partners right now is like the opportunity at Amazon in the early days of ecommerce: brands who invest early will have the advantage of increased visibility in their category, and the opportunity to establish a customer relationship on the platform and earn that customer's loyalty," according to Kantar's Rachel Dalton.

The Instacart Story

One of the winners of the online grocery boom has been Instacart. Next to Walmart and Amazon, Instacart has emerged as one of the biggest names in online grocery according to our research. While Instacart has been growing over the last couple of years, it is now experiencing unprecedented growth driven by the pandemic. Seth Dallaire, chief revenue officer, Instacart, describes this expansion as "transformational," saying that "every day is bigger than the previous day."

To keep up with growth and demand from brands, Instacart has been investing in its ad platform, specifically sponsored search ads, keyword optimization levers, and customized bidding. GroupM Commerce's Paula Hunsche and her team have observed this in real time, "Instacart has made an impressive impact by evolving their advertising offerings at a time of massive growth for them." Interviews with Instacart and other ecommerce leaders revealed several key trends, opportunities, and challenges for marketing on Instacart:

Winning the first basket: When it comes to Instacart, the savviest brands are hard at work figuring out how to win the first basket. Once products are in a shopper's basket and shopping lists are pre-loaded, repeat purchases are more likely, making it critical to get your product in the shopper's first basket. The most sophisticated marketers are prioritizing strategies for new customer acquisition, and Instacart is working on making more data available to support brands' efforts.

Changing demographics: Older generations are using Instacart. Seth Dallaire reports a "decent uptick in that demo coming in for the first time." While boomers and even Gen Xers still lag millennials in Instacart use, the data directionally shows that many older shoppers who have used the service say they plan to use it more often. This development creates opportunities for brands to reach new audiences who have not adopted online shopping previously.

Adapting to the digital experience: "All physical notions are challenged when shopping online," Seth Dallaire said. However, some marketers are holding tight to traditional shopper marketing constructs like category share when planning for online grocery. Brands in this camp will need to reset expectations and adopt a digital mindset to be successful in the online grocery world.

But it won't be easy. The challenge with online grocery is that shopping is nonlinear compared with shopping in a physical store. A grocery store planogram is set up in a specific way, with fresh food on the perimeter and shelf-stable food, HBC, and household items in the center. Getting shoppers to build their online basket is more challenging since they are not walking through the store to find key products. Brands are trying to understand how and why consumers shop online for groceries to develop opportunities to influence their path and brand consideration.

Inventory management: Instacart offers brands opportunities above and beyond advertising. Its large scale enables brands to gain insight into typically hard-to-get inventory data across locations and regions, empowering strategic decisions. Brands want insights, lifetime value, basket mix, adjacencies, shopping frequency, and out-of-stock notices so they can determine product and mix by region. Overall, Instacart can share more data because it is not constrained by the more traditional retailer/manufacturer agreements.

Optimistic future: Many of our interviewees recognized the promise of Instacart, but also reported growing pains, which is to be expected with any nascent media platform. Despite some bumps in the road, professionals are generally optimistic about the platform's future.

Online grocery's unprecedented growth, when coupled with a manufacturer's reprioritization of marketing efforts related to shifting demand, seems to largely be viewed as an opportunity for brands to redeploy budget and re-evaluate their online grocery strategy to capture share in one of the largest growth areas in ecommerce today.

7. The new momentum mindset

Putting progress over perfection

One of the themes that came out of our interviews was a sense that planning for ecommerce was almost futile, particularly because of the rate of change. As is the case with other forms of retail marketing and advertising, the process of ecommerce hasn't been refined for decades, and the market research, measurability, tools, and data that were used to train today's senior leaders, don't exist in the same way for ecommerce. Perhaps as a reflection of that, we found that only 8% of professionals see themselves as leaders in ecommerce. Most of our respondents indicated that, instead of working on developing the perfect ecommerce playbook, or waiting to invest in a specific ecommerce tactic until it was perfected, they instead relied on moving forward with a testing mentality, taking regular chances and then aggregating many small wins over time. Simply put, they seek progress over perfection.

> "One way I try to do this is by having an experimentation mindset, like a growth hacker: identifying small, incremental changes that, when compounded over time, can accelerate the rate of growth."
>
> — *Ricky Busby*
> *Brand building leader for new ventures, Georgia-Pacific*

> "No one has it right – no one has it really figured out. People, practices, and technology change so frequently, customer behavior changes so frequently. It is still day one for many companies that have been around a long time."
>
> — *Kristina Smith*
> *Vice president of digital marketing, The Riveter*

Overall, more companies are focused on developing dedicated online strategies rather than simply applying offline strategies to online as they in the past. As a sign of this growing commitment, more industry professionals (45%) say they now have a clear and differentiated product portfolio strategy for ecommerce than they did two years ago.

Two areas where brands are expanding their test-and-learns for insights are with third-party (3P) selling on Amazon and direct-to-consumer (DTC). Today, 44% of ecommerce professionals say their company is selling 3P, and nearly half of professionals see 3P as an opportunity. "Although it can add to your team's resources, a 3P marketplace strategy provides you with one more leg to your ecommerce stool," said Reid Greenberg, executive vice president of digital at Kantar. "With 3P listings, you have the flexibility to edit your product detail pages in real time, generate retail margins rather than wholesale, and test and learn new product ideas and launches with speed and agility. 3P also helps build internal 'muscle,' so that when you are ready to launch a direct-to-consumer channel, these capabilities exist."

DTC: The Opportunity and the Watch-Outs

Manufacturers are also rapidly testing, exploring, and gaining momentum with DTC. Over the past several years, DTC brands have delivered some inspiring examples of the opportunity, and big brands have noticed. Digitally native and extraordinarily nimble, DTC brands have found innovative and helpful ways to serve shoppers while challenging the world's legacy advertisers in the process. Catalyst's Kerry Curran said, "Disruptive companies are identifying gaps in traditional retailers' offerings and delivering solutions around desires consumers didn't even know they had."

The enviable success and competitive threat of DTC brands have prompted many manufacturers to test DTC business models for the past several years. Today,

62% of ecommerce professionals say that increasing DTC sales is a strategic focus, similar to the findings in Catalyst's 2018 survey.

Aside from keeping up with the competition, what is motivating so many professionals to upend their historical business models? What do they stand to gain? Our interviews with ecommerce leaders and experts revealed two key benefits to a DTC model:

Self-reliance and agility: COVID-19 showed the industry that having a DTC channel enabled additional flexibility. "I think you will see a lot of brands move to a DTC model because they've realized how reliant they were on retailers," said Seagate's Krehel.

Many brands with nonessential products were caught off guard when retailers stopped ordering their products during the pandemic, a decision that had a downstream impact on supply chain logistics, reporting, warehouse capacity, and more.

A DTC model mitigates issues like these by creating more internal control and flexibility. The many ecommerce professionals we spoke with said agility is key in the best of times, and even more so in the worst of times. "If you have flexibility in your ways of working, you are more equipped to deal with disruptions, and they will continue to come," said Gavin du Toit, vice president of global ecommerce at Colgate-Palmolive. "What wins in these scenarios is your internal ability to be agile."

Greater access to data and consumers: For many of the large organizations we interviewed, DTC is a relatively small percentage of sales, but provides access to data and insights that fuel greater innovation and success in ecommerce and other channels.

Salsify's Rob Gonzalez recommends that brands take DTC seriously, and not for the volume. "The reason to do DTC is for the data and experimentation it provides," he said. A DTC model not only offers an incremental distribution channel, but it also enables significant and "free" learnings that can be applied to other channels.

DTC also creates direct relationships with consumers and allows greater access to first-party data, which will become increasingly important when the "cookieless" future soon arrives. Through DTC and other approaches, many brands and advertisers seek to scale first-party relationships and get closer to their consumers.

Though the opportunity of DTC, particularly in a post-COVID world, is widely recognized, it is not without its watch-outs. "Profitability has been something that DTC overall has struggled with," said Georgia-Pacific's Ricky Busby. Many DTC players are seeing their growth plateau and are turning to the traditional channels and tactics leveraged by their manufacturer brand competition. "Early DTC players are now selling in-store because there is a limit to the volume they can sell online," Busby said. Given some of these challenges around growth potential and profitability, he predicts that many brands will find a hybrid model is the most viable.

Professionals also need to be realistic about the relationship consumers want with large CPG brands and the feasibility of scaling first-party relationships. "DTC assumes that your consumers for your product want to have a direct purchasing relationship with you," said Colgate-Palmolive's Gavin du Toit. "That may not be the most convenient solution for them." For some products, consumers simply might not have any interest in a direct relationship with the manufacturer.

Counting down to a cookieless future

The industry has relied on cookies for more than a quarter of a century. However, in early 2020, Google revealed that by 2022, cookie tracking will no longer be available through the Chrome browser, forcing brands to re-examine their planning for 2021 and beyond.

This monumental change is forcing brands to prepare for the day when we know less about the individuals that we want to target with digital media. In response, many manufacturers are using this opportunity to invest in and fine tune their direct customer strategies including:

— Launching DTC websites for direct customer acquisition

— Identifying and migrating existing consumers to brand-owned platforms

— Developing customer loyalty initiatives

— Launching or improving their Customer Relationship Management (CRM) capabilities

— Advancing segmentation based on many variables including customer lifetime value

— Testing DTC lookalike media targeting and segmentation strategies
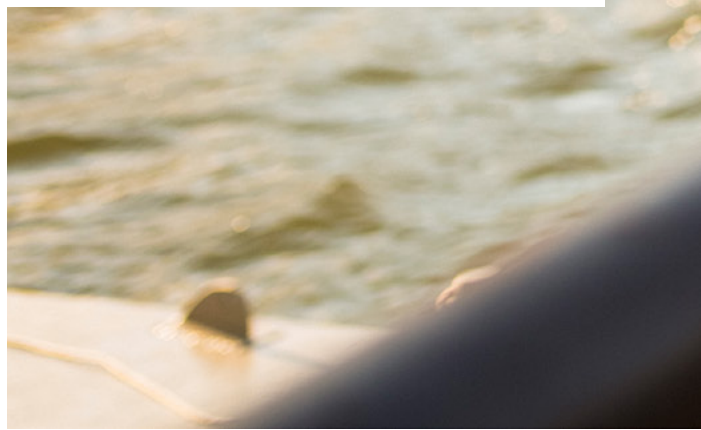
"We're making a significant effort to increase first-party data and our ability to have more of a direct customer relationship, and we're doing that primarily with an eye towards improving media capability and functionality"

— *Steve Kinsey, GSK's director of commerce marketing*

Recommendations

Ecommerce professionals have a long list of areas to invest in. To simplify that list, we've distilled down the key insights into a set of recommendations aimed at improving your ability to successfully navigate the complex and fast evolving ecommerce and retail media landscape. From data to content to the right tech stack and digital media mix, the areas of integration and optimization continue to grow.

Ensure a strong and integrated brand presence across all platforms

When it comes to retail media solutions and opportunities, brands need to think beyond Amazon and other established retailers. Retailers and ecosystem partners such as Walmart, Target, and Instacart have made significant leaps forward in their content and ad platforms, and they are gaining traction with shoppers. Brands who invest in content, data, search, media, and measurement across a wide range of these partners stand to gain higher online share, a broader customer base, and more efficient media spend, leading to lower overall cost-to-serve while maximizing sales and margin opportunity.

Brands who also go beyond integrating ecommerce marketing can find new levels of awareness, engagement, purchase, and loyalty through integrating the channels that play a critical role in the shopper journey: namely search, social, and display. Capitalize on channel synergies to create a seamless journey and positive shopping experience.

Prioritize convenience and ease for shoppers

With new platforms, tools, and data available almost daily, it can be easy to lose sight of the single most important element of a successful ecommerce strategy: the consumer. Our research shows that convenience matters more to consumers than price, and that they appreciate ads that are helpful. Ensure your brand is a point of convenience to the consumer by being easily findable and accessible on their preferred channels and by providing helpful information that answers key questions.

When evaluating changes to product, assortment, pack size, fulfillment, and other aspects of ecommerce, remember to apply the lens of convenience and ease. By putting these consumer priorities first, brands are likely to find that many decisions become easier.

Invest in search, content, and PDPs to maximize findability and conversions

Our research found that PDPs are one of the most critical elements of a brand's ecommerce presence and yield significant influence over shopper purchase decisions. To successfully take advantage of the opportunity, brands need to be visible and deliver content that converts. This means optimizing your PDPs for SEO around consumer search interest including inspiration from need states, reviews, and Q&As, using the consumer's language as much as possible. It also includes investing in 'ecommerce first' images that go beyond traditional product package shots to demonstrate key consumer benefits, points of differentiation, credentials from industry professionals, and highlights of corporate social responsibility programs to give shoppers every reason to convert.

Companies that lead the way do not view PDPs as a one-time investment: best practices include a refresh two times per year, or any time a major category or cultural trend could influence purchasing preferences or the way shoppers search.

Develop customized retail media strategies

The growing scale and complexity of the ecommerce and retail media world can be daunting. While partners have emerged to provide some scale to integrating and buying media across the major retail media solutions, the ecosystem is far from seamless. To achieve the next level of growth in ecommerce, brands are developing unique strategies for each platform, a reflection of differences in shoppers, behavior, and preferences across retailers.

Customization strategies include creating a distinct key phrase strategy integrating retailer-specific shopper insights, that are weaved throughout the product content, paid keywords, and bidding strategies. Product margins are different for each retailer, and so is the size of the shopper base. Brands who are testing their media to find the monthly addressable market size on each retailer will have a competitive advantage when figuring out how much to pay for specific key phrases as well as managing their overall retail media investment.

Measure what matters, not what is easy

It's easy to fall into the trap of focusing on a single KPI, like ROAS. While ROAS can be easy to measure and is not without value, optimizing on one KPI alone can lead brands to make decisions that don't necessarily align with overall business objectives. Instead, we recommend that brands look at a combination of metrics together for a more robust and valuable picture of ecommerce performance.

What other KPIs should companies pay attention to? The people we interviewed recommend focusing on key acquisition or retention KPIs such as cost per acquisition (particularly for businesses growth), share of search, lifetime value, and more depending upon your business goals for a specific retailer. Advanced professionals we spoke to recommend a holistic approach, including measuring acquisition and retention together to create a virtuous circle of converting the right customers while simultaneously driving lifetime value. It takes longer to report on multiple measures, and analyzing the signals can sometimes be difficult, but today's complex retail environment requires complex measurement.

Unlock custom opportunities with retailers through mutual value

Nearly all of the industry professionals that we spoke with want more cooperation, flexibility, and data from retailers. While achieving certain levels of retail media investment may get brands some consideration for pilot opportunities, we found an entirely different set of manufacturers that were able to successfully partner with retailers to get what they wanted using one simple strategy… identifying opportunities of mutual value.

In order to do this successfully, make sure you have the right audience, find out what the retailer initiative priorities are for the business, category, and the shopper experience. Identify sensitivities and non-starters and use a collaborative approach to find overlapping zones of possible agreement. Engage in an open dialogue to unlock ideas for enhanced capabilities, create new customer experiences, and improve performance. Work the concepts into your Joint Business Plan for the year, even if you can't identify the specific output at the time, and then begin working on it early in the year. Custom opportunities take time to define, approve, and execute.

Lean into expert partners throughout your journey

No matter where you are in your ecommerce journey, experts from your partner ecosystem possess knowledge and skills that bring unique value to manufacturers, now more than ever. Partners can include agencies, consultants, data providers, technology and measurement partners, among others. Success in 2021 will depend on your ability to collaborate and strengthen relationships with experts, leaning in for guidance and advice on many of your business challenges.

Each partner sees a different piece of the ecommerce ecosystem, and it is important to remember that no one partner will have all of your answers. Identify the unique skills that each partner brings to the table, invite those partners to strategic planning sessions typically outside the course of your interactions, and educate your partners on your business. Partners that have a deep understanding of your business will be better positioned to offer up alternatives that go beyond the scope of their assignment and help brands gain competitive advantage. Retail media is so fragmented that data, training, and innovation have become table stakes along the path to ecommerce excellence. Some partners may offer up additional work for free, but free doesn't always equate to the best effort. Don't be afraid to pay for insights, training, and time that partners invest going above and beyond, and make sure to set aside additional budget to fund these incremental opportunities.

Embrace online grocery and last-mile delivery, even if you aren't a traditional grocery brand

The unprecedented growth of online grocery and last mile delivery is an opportunity now that will only get better in the near term. Don't assume that online grocery is irrelevant for your brand or product. Online grocery shoppers are just beginning to fill their baskets with more than just traditional grocery items, as more products become available. Smart manufacturers are investing heavily now and unlocking ecommerce opportunities across a wide range of product categories, from hair color and household products to frozen food and dairy. As shoppers learn to buy these new categories, brands that invest now will gain long term strategic advantage.

Brands should test these opportunities not only to acquire new customers and drive incremental sales, but also to gain valuable insights into other areas of their business, such as supply chain, inventory, and more. Instacart, for example, works with a broad range of grocers and retailers, and can provide unprecedented visibility into shopping behavior and inventory across stores.

Test and learn now, don't wait until it's perfect

Just act. Small wins will add up to big ones over time. Though it's tempting to wait until a campaign, asset, product, or strategy is perfect before launching, don't let perfection delay progress.

In the quickly changing world of ecommerce, it's more important to test new opportunities immediately and regularly. A rigorous testing framework and methodology will let you fail fast and identify where you need to invest more.

Though navigating the uncharted waters of a new platform or new offering can be uncomfortable, doing so will pay off in the long run with insights, learnings, and expertise that create sustained competitive advantage.

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KANTAR

About Kantar: Kantar is the world's leading evidence-based insights and consulting company. We have a complete, unique and rounded understanding of how people think, feel and act; globally and locally in over 90 markets. By combining the deep expertise of our people, our data resources and benchmarks, our innovative analytics and technology, we help our clients **understand people** and **inspire growth**.

The world is experiencing a dynamic and profound shift in the shopping journey. Even without the added layer of the COVID-19 pandemic, digital commerce has been gaining traction as a preferred method of consumerism. Our Post-COVID Commerce report examines trends, habits, and implications through four phases of a post-COVID world. For support with assessment, planning, and execution of omnichannel initiatives, we encourage you to attend Kantar's complimentary Commerce Now webinar series.

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CATALYST

Catalyst is a performance marketing agency that is part of GroupM and WPP. Catalyst specializes in cross-channel digital solutions that consistently deliver business results for Fortune 500 brands. Catalyst's industry leading capabilities include paid search, SEO, paid social, programmatic, retail media, data/analytics services, and more.

More ecommerce research from Catalyst:

In 2017, as marketers scrambled to navigate the evolving landscape, Catalyst released one of the industry's first research papers, "Age of Amazon: Maximizing the B2C Opportunity," to provide guidance to both brands and agency marketers.

In 2018, as ecommerce quickly evolved with more retailers increasing both their online retail offerings and on-site advertising, marketers had to navigate an even more crowded sea of options. To further educate and support both brand and agency marketers, Catalyst published a second research paper, "The Era of Ecommerce: Capitalizing on the New Customer Journey" that included year-over-year comparisons using data from the 2017 report.

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