

EMBRACING DIGITAL PLATFORMS

A 2020 RETAIL MEDIA REPORT

In Consumer Retail

B2C brand manufacturers share their strategies and expectations for multichannel marketing, advertising, and sales



Introduction

As more consumers than ever turn to marketplaces and shopping platforms, brand manufacturers must adapt in kind. Old strategies relied on wholesale retail and physical brand stores. Today's distribution options are more complex. A slow-but-steady decline in offline retail has forced brands to orchestrate their product offering across myriad digital sales and advertising channels.

Understanding these channels comes down to our grasp of the nascent "platform economy."

This goes beyond companies like Amazon, eBay and Alibaba. It also covers traditional retailers seeking to become platforms: the likes of Walmart, Target, and many more.

A big difference between retail and platform businesses remains: Retailers always made their margins via wholesale. This contrasts with B2B-oriented platforms, which have framed their revenue streams via sales commissions, paid advertising visibility, warehousing and logistics.

IT'S A SHIFT THAT HAS HAD MAJOR IMPLICATIONS FOR BRAND MANUFACTURERS:



They must pay to play. On retail platforms, product availability proves near unlimited. The consumers' attention, however, is scarce – emphasizing the need for product visibility within the first search results. Therefore, brand manufacturers increasingly pay for exposure via Retail Media formats like Sponsored Product Ads.



They need to follow their customers onto these platform marketplaces and thus carry the inventory risk.



They face pressure to select the *right* platforms, decide on assortment allocation, determine the incremental value of it, and acquire the right competencies to succeed on each channel.

In this report, we explore the current platform environment to determine how brands decide on which platforms to sell and advertise. Featuring data from a survey of 100 industry professionals, we uncover brands' merchandising and marketing business strategies so you can understand the rationale of their assortment decisions on platforms. We determine how sponsored ads and co-op marketing are impacting their businesses. Finally, we uncover future changes and challenges in the platform environment, and how brands envision their future involvement.

KEY FINDINGS FROM THE STUDY INCLUDE:



Most brand manufacturers (**68%**) sell products through at least 11 third-party platforms—either multi-brand retailers or marketplaces. Most (62%) buy sponsored product ads (SPAs) on at least 11 third-party platforms as well.



Nearly half of all brand manufacturers (**48%**) expect sales via their listings on third-party online marketplaces to increase over the next five years; only 9% expect these sales to decrease.



47% of brand manufacturers consider the *desirability* of a third-party platform's audience to be "very significant." Only 37% had the same view about the size of a platform's audience.



Most brand manufacturers (**61%**) offer a different assortment or assortments on their direct-to-consumer channels compared to at least one third-party platform on which they sell.



In each case, nearly half of brand manufacturers will increase their investments in onsite co-op advertising (**44%**) and offsite co-op advertising (43%) over the next five years. Most other brand manufacturers will keep their investments in these methods the same.



About Our Research

Crealytics and the eTail conference series partnered with the WBR Insights research group to survey 100 executives from global enterprise B2C retail brand manufacturers—that is, companies that manufacture their own retail products. Beginning in the United States with targeted industry-leading companies, researchers interviewed Directors, VPs, and C-Suite executives in eCommerce, Digital Sales, Omnichannel Marketing, Merchandising, Marketplace Analytics, and other roles using a phone-based survey methodology. Respondents participated on a voluntary basis.

CHANNEL SALES DISTRIBUTION

Brand manufacturers are exploring multiple digital channels in their effort to reach new and relevant audiences. This increasingly involves third-party websites—both marketplaces and multi-brand retailers—where they hope to boost brand awareness with product marketing and advertising.

Most respondents represent companies that sell their branded products via all four retail channels measured. These include directly via online stores (100%) and physical stores (99%); via one or more third-party marketplaces (91%); and from one or more third-party retailers who buy their products wholesale (83%).

Researchers also asked brands to share how their sales are distributed between these four channels. On average, brands sell 67% of their products through their direct-to-consumer channels: 36% via their own physical stores, and 31% via their own online stores. On average, brands sell 22% of their products via their own listings on third-party marketplaces, and 11% wholesale to third-party retailers.

Among the following channels, from where can consumers purchase your products?



Selling on marketplaces (91%) is surprisingly more popular than traditional third-party wholesale (83%)

The results also indicate that no brand makes more than 40% of their sales through third-party online marketplaces. No brand makes more than 30% of their sales wholesale to third-party retailers, either. But brands typically sell more via their third-party marketplace listings than wholesale to third-party retailers.

Respondents generally expect sales to increase across all these channels, although they have higher expectations for their direct-to-consumer environments. Most respondents expect their brands' sales to increase via their own physical stores (78%) and their own online stores (65%). In each case, nearly half of respondents expect their brands' sales to increase via third-party online marketplaces (48%) and via wholesale third-party retailers (48%) as well.

Very few respondents expect their sales to decrease through any of the channels measured. These and other findings from the study indicate brands are optimistic as they increase activity on third-party platforms, though there are still uncertainties about how they will manage those efforts and how well they will perform.

Through which of these same channels do you expect sales to increase, decrease, or stay the same over the next five years?



Brands expect to grow their own direct sales channels even more than marketplace revenues. Whether that is possible will be answered in the next five years.

CURRENT THIRD-PARTY PLATFORM ACTIVITY

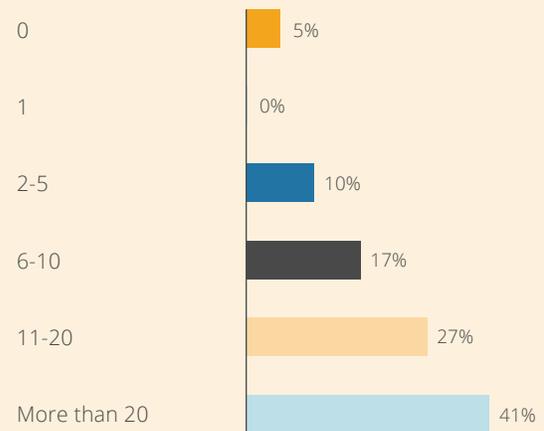
Researchers sought to understand the scope of brands' third-party platform activities in terms of the number of platforms on which their products are sold and the degree to which they are advertising in each of those environments. The results reveal brands are highly active in both third-party sales and sponsored product advertising.

First, respondents clarified the number of third-party digital platforms on which their products are already available to consumers. Only 5% of companies in the study do not have products available to consumers on third-party digital platforms, such as another retailer's website or a marketplace. **For most companies in the study—68%—consumers can purchase their products through 11 or more third-party retailer or marketplace platforms.** Among them, 41% of companies in the study make their products available on over 20 of these third-party platforms.

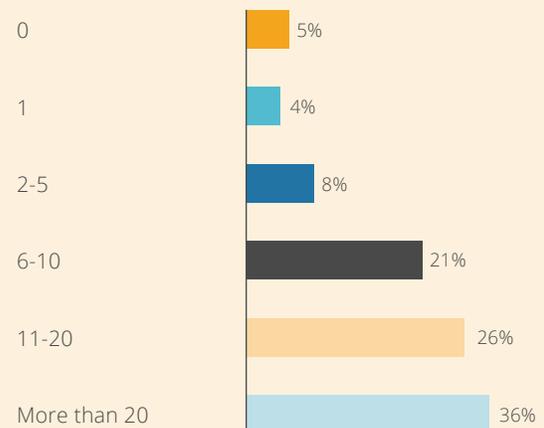
Most companies who have products available on third-party platforms also buy sponsored product ads (SPAs) on those platforms. The data indicates that many brands do this for the majority of the third-party platforms on which their products are available as well. For example, where 41% of brands in the study have products available on over 20 third-party platforms, 36% of brands in the study also buy SPAs on over 20 third-party platforms. Similarly, where 27% of brands in the study have products available between 11 and 20 third-party platforms, 26% of brands in the study also buy SPAs on between 11 and 20 third-party platforms.

It's clear that brands look closely at third-party platforms' audiences, even above the branding similarities and logistical support opportunities provided by those third-party platform providers. Still, brands prioritize product marketing opportunities on these platforms with near-equal enthusiasm.

Through how many third-party platforms—be they retailers or marketplaces—can consumers purchase your products?



On how many of these same third-party platforms do you buy sponsored product ads (SPAs) for your products?



When asked how they prioritize certain characteristics of each third-party retail platform, **more respondents prioritize the desirability of the platform's audience than others**—they consider it either moderately (38%) or very (47%) significant. The audience size and reach of each platform is less often prioritized, where 44% consider this only moderately significant and 19% consider this not at all significant. As we will find, this may be due in part to their existing investments in large platforms, such as Amazon, and a reprioritization of marketplaces that cater to specific consumers or regions.

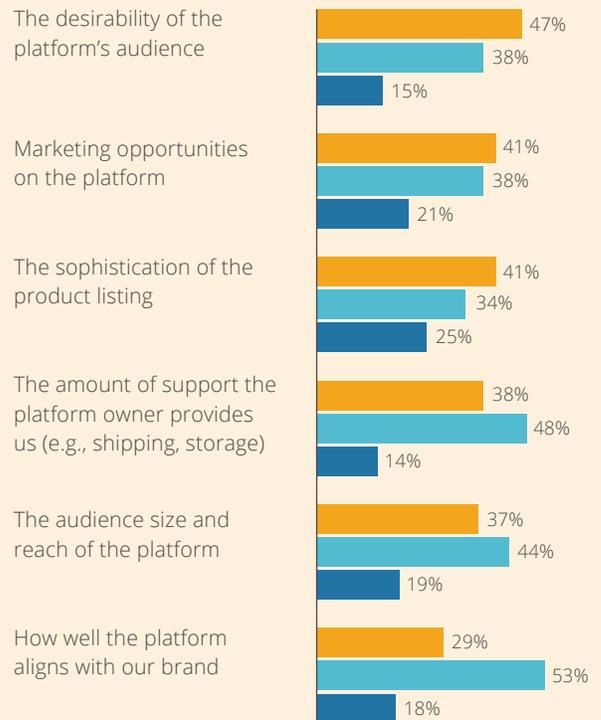
Respondents also heavily prioritize marketing opportunities on third-party platforms, which is indicative in their prioritization of SPAs—most consider these either moderately (38%) or very (41%) significant. Similarly, most respondents consider the sophistication of product listings moderately (34%) or very (41%) significant as well.

Fewer respondents consider the amount of support the platform owner provides brands (such as shipping or storage) a priority, where most consider this only moderately significant (48%) or not significant at all (14%). Meanwhile, fewer than one-third of respondents (29%) consider how well the platform aligns with their brands to be very significant.

Even as brands seek to expand the size of their audiences, they are more focused on targeting specific customer segments within those audiences in both their advertising methods and their new third-party platform adoption. As we will find, they are aligning specific products and branding with those audiences and environments as well.

How significant are the following characteristics when choosing third-party platforms from which you would like consumers to purchase your products?

- Very significant
- Moderately significant
- Not at all significant



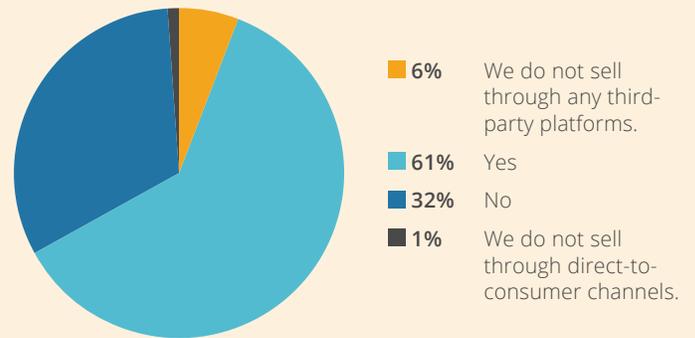
PRODUCT ASSORTMENT STRATEGY

Respondents indicate that most brands (61%) offer different assortments via their direct-to-consumer channels than they do with at least one of the third-party platforms from which consumers can buy their products—but 32% offer the same assortment through all channels. Researchers sought to expand on this finding with more specifics about their product assortment strategies.

For example, most brands in the study (64%) sell all their product lines through their direct to consumer channels. Most remaining brands sell some combination of “New In” product lines (34%), evergreen and classic product lines (30%), and exclusive product lines (20%).

However, very few brands sell niche product lines (5%), former product lines (6%), or off-price products (2%) via their own direct-to-consumer channels. Additional results show they are more likely to prioritize these assortments for third-party environments.

Does your assortment differ between your own direct-to-consumer channels and any of the third-party platforms from which consumers can buy your products, be they marketplaces or other retailers?



Which product lines do you sell through your own direct-to-consumer channels?



For example, fewer brands (39%) sell all their product lines via third-party marketplaces compared to their direct-to-consumer channels. Instead, brands appear to vary in terms of which product lines they prioritize for marketplaces.

However, brands seem to prioritize product lines with smaller markets for marketplaces, followed by older or classic products. For example, over one-quarter of brands sell niche (30%) and exclusive (28%) product lines via marketplaces, in each case. Nearly one-quarter of brands sell evergreen and classic product lines (23%) and former product lines (22%) as well. Twenty percent sell off-price products via third-party marketplaces.

Meanwhile, very few brands (17%) align their “New In” products with third-party marketplaces. Instead, they most often prioritize these for their own direct-to-consumer channels.

While 38% of brand sell all their products to retailers via wholesale, far fewer brands sell their “New In” (3%), Evergreen and classic (8%), and exclusive (10%) product lines in this way. Instead, most remaining brands sell their niche (27%), former (33%), and off-price (31%) product lines to other retailers via wholesale.

Interestingly, these last two product lines are typically the least-marketed among brand manufacturers. Meanwhile, “New In,” evergreen, classic, and exclusive product lines—often the most heavily marketed among brand retailers—are more often prioritized for direct-to-consumer or marketplace channels.

Which product lines do you sell via third-party marketplaces?



Which product lines do you sell to other retailers via wholesale?



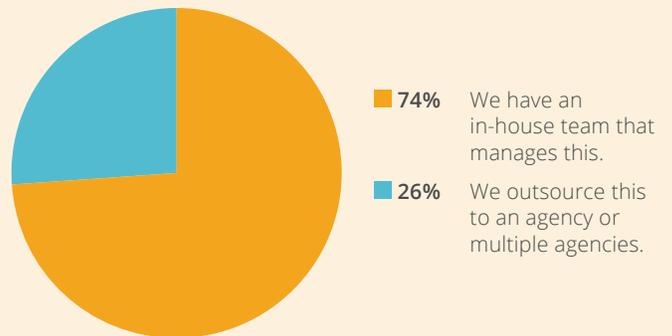
MANAGING THIRD-PARTY ADVERTISING AND VISIBILITY

Brands align their marketing investments with these channels based on the audiences they seek to engage and the product lines they prioritize for those environments. **As brands grow their third-party presence, many will turn to agency support to reach their goals.**

Nearly three-quarters of brand manufacturers (74%) use an in-house team to manage advertising and visibility on third-party retailer and/or marketplace websites. The remaining 26% outsource this process to an agency or multiple agencies.

Among the first group of brands, most cite strong in-house expertise as their rationale for managing these processes internally. “We have one of the most studied in-house marketing departments in the world,” says one respondent; “There is an expert in-house marketing team that manages all the marketing and visibility for our brand,” says another. Brands typically have well-managed internal communication methods in place to keep departments strategically aligned in terms of digital marketing across channels—direct-to-consumer properties, marketplaces, and third-party retailers who buy products wholesale.

How does your organization manage advertising and visibility on third-party retailer and/or marketplace websites?



The remaining brands use a variety of agencies in official advertising and visibility capacities. Although each respondent typically notes only one such agency for his or her company, these companies provide services in different capacities—creative, branding, and buying, among others.

CO-OP ADVERTISING

Regardless of whether or not they outsource processes, most brands prioritize both onsite and offsite co-op advertising investments. When researchers asked respondents to rate the importance of onsite co-op advertising options—a brand’s digital advertising that appears on a third-party retailer or marketplace platform where consumers can purchase a brand’s products—brands almost universally acknowledged their importance.

Specifically, most brand manufacturers consider branding programs (55%)—such as a brand store, banners, or featured content—to be a very significant co-op advertising option. **But while only 41% consider performance marketing programs—such as SPAs—to be very significant, only 10% consider them not at all significant.**

On average in fact, brand manufacturers spend 29% of their online marketing budgets on SPAs—19% on non-Amazon SPAs, and 10% on Amazon-specific SPAs. Most brands allocate at least a portion of their marketing budgets to both types of SPAs.

Over the next five years, more brand manufacturers will increase their investments in both onsite co-op advertising (44%) and offsite co-op advertising (43%) than will decrease their investments.

Most remaining brands will keep their levels of investment in these two advertising methods the same.

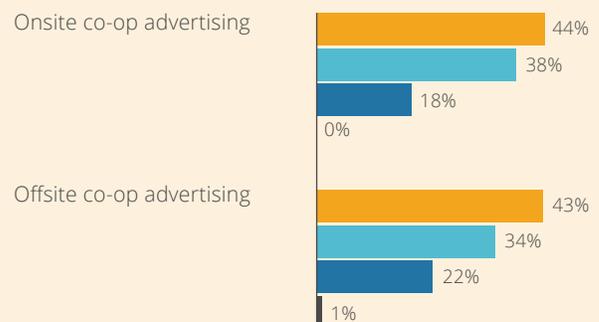
How would you rate the importance of the following onsite co-op advertising options—that is, a brand’s digital advertising such as banner ads or sponsored product ads that appears on a third-party retailer or marketplace platform from where consumers can purchase that brand’s products?

- Very significant
- Moderately significant
- Not at all significant



How do you anticipate your investments in both offsite and onsite co-op advertising will change over the next five years?

- We will increase our investment.
- Our investment will remain the same.
- We will decrease our investment.
- This does not apply to us.



Researchers also investigated brands' intentions for offsite advertising options—digital advertising that appears on non-retail channels such as Facebook or Instagram and drives traffic to a third-party retailer or marketplace channel where that brand's products are sold. When asked to rate the importance of several offsite advertising options, most brands consider both joint paid video campaigns (55%) and joint paid search campaigns (55%) to be very significant.

Meanwhile, more brands consider joint retargeting campaigns (46%) and joint paid social campaigns (60%) to be only moderately significant than do very significant. However, 10% or fewer brands consider any of the offsite advertising options to be not at all significant, in each case.

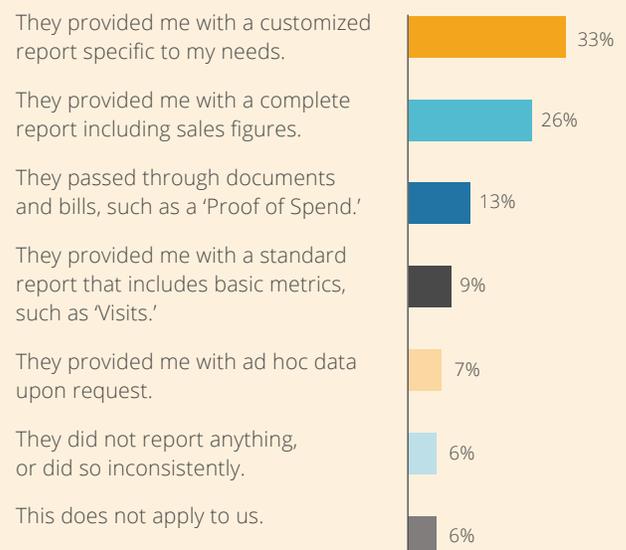
Whether onsite or offsite, most brand manufacturers have enjoyed high-quality reporting on the usage and performance of their co-op spend contributions to past co-op advertising campaigns. Roughly one-third (33%) received a customized report specific to their needs, and over one-quarter (26%) received a complete report, including sales figures.

Fewer brand manufacturers (13%) received only documents and bills, such as a 'Proof of Spend.' Meanwhile, fewer than 10% received only basic metrics, data ad hoc upon request, or no reporting at all, in each case.

How would you rate the importance of the following offsite advertising options—that is, a brand's digital advertising that appears on non-retail channels such as Facebook or Instagram and drives traffic to a third-party retailer or marketplace channel where the brand's products are sold.



Consider your experiences with past co-op advertising campaigns. How did your co-op partners report on the usage and performance of co-op spend contribution?



MARKETPLACE GOALS

Researchers asked respondents to share the specific third-party marketplaces they view as a priority for selling products and why they have chosen them.

Respondents suggested several rationales for their selections, most often around the size, location, or preferences of those marketplaces' audiences.



Brands prioritize marketplaces for their regional coverage.

Dozens of retailers are prioritizing international marketplaces to penetrate specific geographic markets. As one respondent describes, "Each country that we sell in has a new potential marketplace that we have identified." These include Mercado Libre in South America, Allegro and Otto in Europe, and Lazada in Southeast Asia, among others.



Brands prioritize marketplaces for their audience types.

Brands increasingly look to unique marketplaces to align their products with the right shoppers. Several brands are prioritizing Etsy, for example, where "the customer base is perfectly segmented," as one respondent describes. Brands may prioritize these more targeted destinations as an "anti-Amazon customer base" defects from larger marketplaces, as one respondent describes them.



Brands prioritize marketplaces for their popularity and audience size.

Brands are increasingly targeting recognized names as marketplace destinations. These include Walmart's own marketplace and their Jet.com property, Google shopping, and Amazon.com—the latter of which many brands admit they still need to master. Many brands see larger marketplaces as their gateway into new markets as well, as opposed to onboarding to new marketplaces altogether.

Brands claim they haven't determined where they will expand, though they admit it is something they need to consider. Many also indicate they are not at liberty to share specific destinations, likely because they are still prioritizing them internally.

MARKETPLACE CHALLENGES

Similarly, brands are preparing internally to manage responsibilities associated with new marketplace adoption. Respondents were asked to qualify how well prepared their organizations are to manage several challenges associated with third-party online marketplaces. **Generally, brands feel confident in their preparedness to deal with marketplaces in any capacity.**

Most respondents (53%) agree they are very well prepared to select the right third-party online marketplaces for their products, indicating they know how to identify the marketplace audiences and platforms that suit their product marketing and sales needs. Most brands are also very well prepared (42% and 41%) or adequately prepared (27% and 33%) to execute digital advertising and execute both pricing and promotion strategies on marketplaces, respectively.

Brands feel confident in their logistical dealings with third-party marketplaces as well. Most are very well prepared or adequately prepared to deal with returns (50% and 27%), manage inventory (39% and 35%), and fulfill orders (39% and 31%) via marketplaces.

Brands are less often very well prepared to comply with marketplace SLAs or deal with marketplace inventory risk, though most are at least adequately prepared or very well prepared for these responsibilities.

How well prepared is your organization to manage the following challenges associated with third-party online marketplaces?

- We are very well prepared.
- We are adequately prepared.
- We are not well prepared.
- This does not apply.



However, a closer look at the differences between brands' preparedness for marketplaces and their preparedness for their own direct-to-consumer online stores indicate there are some gaps in sophistication. Brands are more often very well prepared to conduct inventory management associated with their own direct-to-consumer online stores (53%) than with marketplaces.

Brands are more often very well prepared to execute data-driven advertising associated with their own direct-to-consumer online stores (49%) than with marketplaces as well, indicating there is a gap in sophistication with these capabilities.

Respondents were asked which marketplace activities they will outsource or would consider outsourcing to a third party in the future—most likely to a creative or media agency. Respondents were most likely to either outsource or at least consider outsourcing all of the activities in the study.

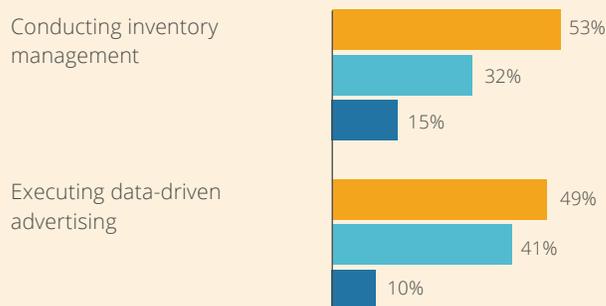
For example, 39% of brands plan to outsource creative media optimization, while 27% would consider outsourcing this activity. Fewer brands (29%) are already planning to outsource paid media optimization, but 29% would consider outsourcing this activity. And while only 28% of brands plan to outsource product title optimization to a third party, over one-third (37%) would consider outsourcing this activity.

Most brands are not planning to outsource reporting (21%), though nearly half (44%) indicate they would consider outsourcing this activity. This suggests a transition may occur where brands seek better reporting options that cannot be accomplished in-house.

Finally, nearly half of brands (44%) claim they will not outsource product description page optimization under any circumstances. But while only 14% plan to outsource this activity, 41% indicate they would consider doing so. This suggests brands may be more inclined to surrender creative capacities in writing product descriptions to third parties the same way they already pass creative media optimization responsibilities to agents outside their organizations.

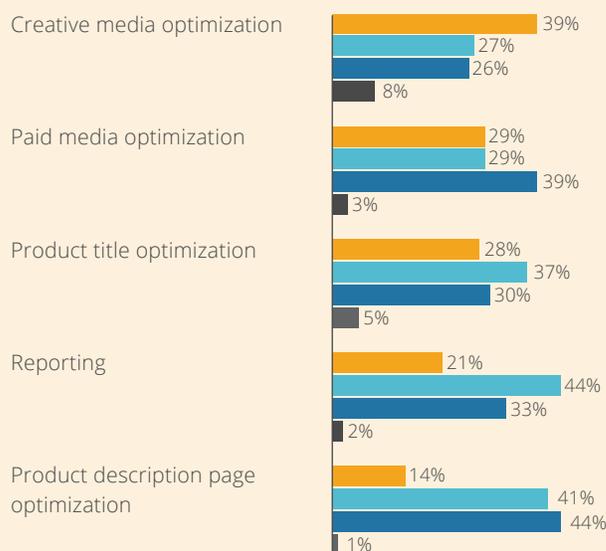
How well prepared is your organization to manage the following challenges associated with your own direct-to-consumer online store(s)?

- We are very well prepared.
- We are adequately prepared.
- We are not well prepared.
- This does not apply.



Will you outsource, or would you consider outsourcing, any of the following marketplace activities to a third party?

- We will outsource this activity
- We would consider outsourcing this activity
- We will not outsource this activity
- This does not apply to us



Conclusion: A Multi-Platform Retail Future

Despite potential conflict with more traditional channels, brand manufacturers will continue to participate in the platform economy. The most successful, however, will rise to the challenges this presents:

1 **Being strategic about DTC vs. platform share**

How should brand manufacturers value sales dollars from their own digital D2C business vs. those from 3rd party platforms and marketplaces? D2C carries the promise of repeat purchases, better measurability and increased lifetime value. Platform sales tend to be limited to a single transaction. With this in mind, brand manufacturers will need to apply a long-term mindset when balancing D2C and platforms goals.

2 **Measuring incremental value between sales channels and in advertising channels**

Brand manufacturers must understand and test how platforms reach complementary customer segments. They also need to know the level of platform media spend driving incremental sales and new customers.

3 **Acquiring a platform mind- and skillset**

The talent and skills in a platform economy differ drastically from a wholesale one. From optimizing product content to managing Retail Media, brand manufacturers must find the talent and partners necessary to thrive.



About the Authors



Crealytics helps retailers and brands activate customer data to master paid media performance and acquire new, loyal customers. Through a combination of performance advertising and marketplace solutions, Crealytics services over 60 worldwide ecommerce brands including ASOS, Urban Outfitters, and Foot Locker.

For more information, please visit www.crealytics.com or contact Mark.Schwartz@crealytics.com.



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