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BLOG

E-commerce, brick and mortar retail, and the shock of the new

OPINION

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As Amazon becomes a $1trn company, Liam Brennan, MediaCom's Global Digital Director & Director of Innovation Programmes, looks at the reality of online and 'offline' retail.

I'm currently writing this in a café on the sunny Central Coast of NSW, just north of my hometown of Sydney, Australia. People tend to relocate here for the slightly slower pace of life – and consequently don't always have access to some of the services that exist in the metro areas.

It has been 18 months since I last visited, and if one thing has really struck me this time, it's the growing impact of e-commerce services, or to be more accurate, 'non-brick and mortar' retail, on everyday life here. Amazon, which launched here in late 2017, is the likely catalyst

for the change.

And while I'm not seeing delivery drones flying over the beaches, it is apparent that the launch has spooked local retailers:

- There is heavy in-store promotion of online shopping from the big supermarkets.
- Many local cafes and restaurants have paired with major on-demand delivery services.
- An 'Australia Post Locker' is strategically placed at the exit of the local train station, taking a position where an Amazon Locker would have likely have sat.

Although Australia is a very digitally advanced market, it has been slower to embrace e-commerce when compared with North America, Western Europe, and Eastern Asia due to geographical challenges, an ingrained shopping centre/mall culture, and prior resistance from some leading retailers.

But Amazon's launch seems to have thrown brands and retailers into panic mode, and many are making the same mistakes that have been made (and continue to be made) when selling products online, and attempting to balancing the 'new world' of e-commerce with traditional brick and mortar retail.

Above: An Australia Post Locker in a Sydney train station

Move away from ‘online or offline Commerce’ – and just think ‘Commerce’

There is no denying that customers are buying more online and more often. For example, in Australia the online retail market is growing 18.4% YOY, and similar numbers continue to be seen in more mature markets such as the US and UK.

However, this growth is coming from a relatively small base – only 8.4% of Australian retail sales occur online, and that number isn’t much larger the US (just shy of 10%). Whilst this is a definite opportunity for growth (or prevention of decline), it should not come at the expense of the importance placed on physical retail.

Yet it makes little sense to drive a consumer someone browsing online for a new TV to a physical store. Conversely, a pre-roll for a can of soft drink (as opposed to a family sized bottle) shouldn’t drive to an online retailer – the consumer needs the product now and should be driven to a location in the ‘real world’.

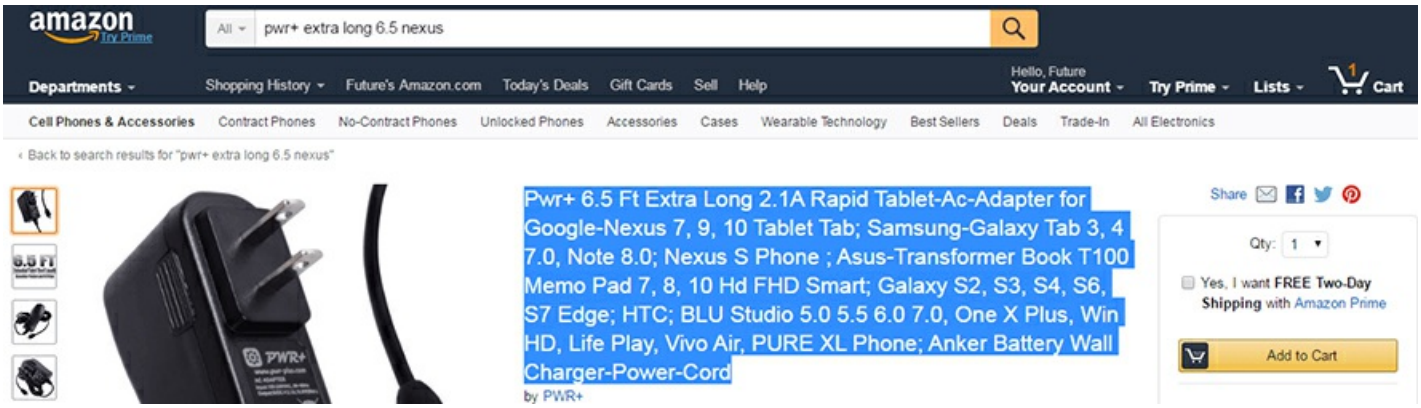
Rather than thinking of these journeys in digital or physical silos, we should think about the overall ‘commerce’ journey and consider of the customer demographics (younger, urban skew online) – as well as the product being purchased, the fulfilment time and mechanic – the need for immediacy over convenience often negating the opportunity for online commerce:

- Immediacy – Does the customer need my product right this instant (e.g. pre-prepared food, drinks), or is my fulfillment fast enough to deliver in a reasonable period
- Convenience – Is the consumer looking to buy a product which is either physically easier to buy online (large, heavy items) or is a repeat purchase?

The increasing push for consumers to shop online may be greatly beneficial for retailers in terms of profitability (low overheads), 1st party data acquisition and obtaining learnings to stay ahead of the competition, but shouldn’t run counter to customer needs.

Ultimately, we should allow the customer to shop where they want and how they want – and that comes first with non-siloed commerce thinking.

Best in class e-commerce looks a lot like best in class ‘offline’ commerce



Above: A poor example of optimising a product listing for Amazon

You’re not going to sell much of your product if it’s not visible on the shelf. You’ll make that job even more difficult with non-distinctive packaging and messaging. And you’ll get nowhere if you’re out of stock of said product.

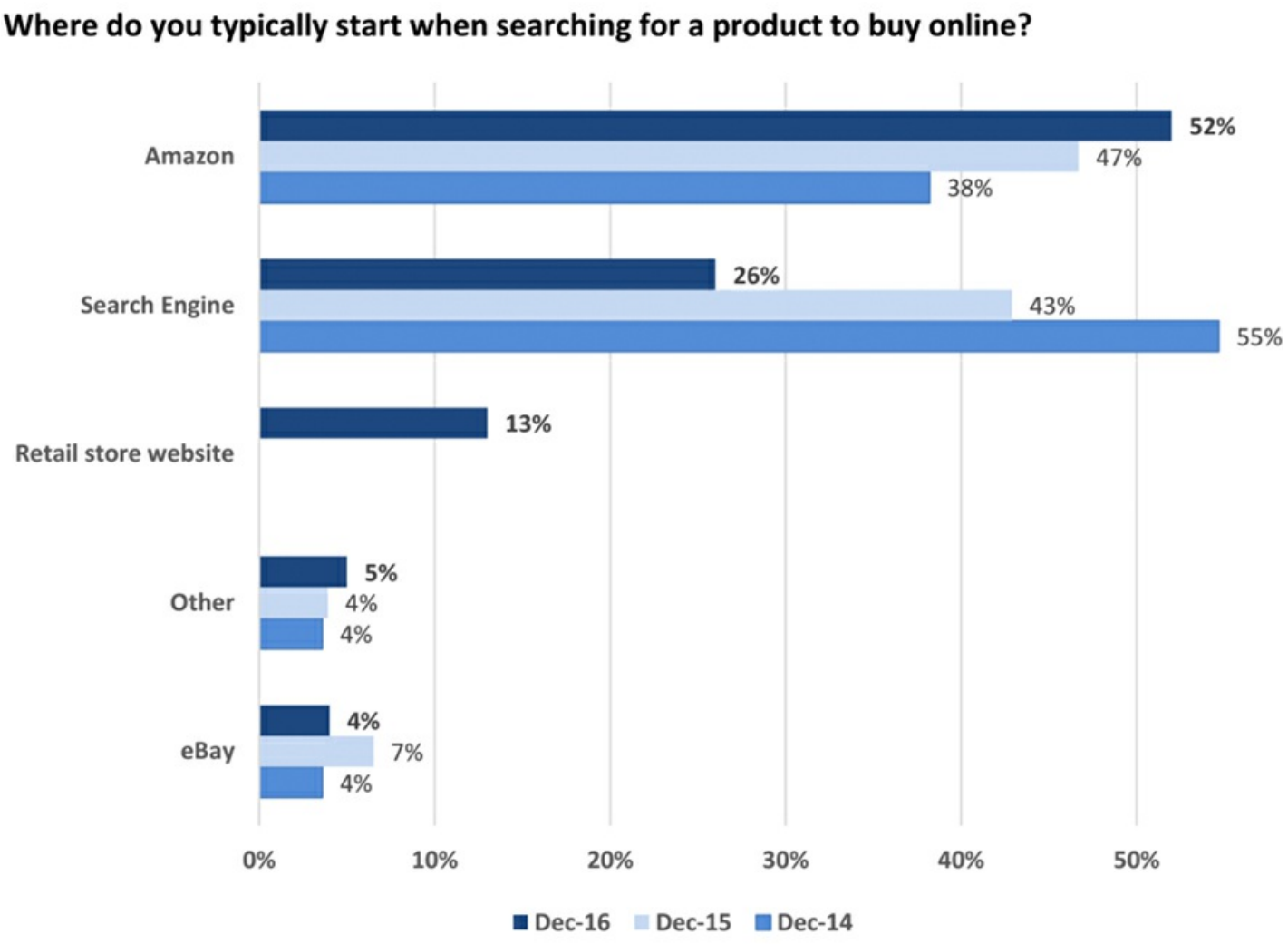
The above seems obvious to those who work with physical retailers, yet this doesn’t always ring true with online advertisers. Often, it’s been left to the digital advertising that pushes to the storefront/product page to do much of the heavy lifting – a DR-focused banner ad, bought at a low CPM pushing to a bland or copy heavy sales page may drive click traffic, but often results in low conversion rate and poor ROI.

Brands matter more than ever in the age of passive consumption, and as Byron Sharp has demonstrated repeatedly in How Brands Grow, it’s that combination of mental and physical availability that drives growth. A TVC repeating one or more product benefits and price point ad museum will do little to create brand salience. Strong, distinctive, brand-led advertising drives sales online as much as off.

Digital DR activity can certainly help drive in-market consumers to your storefront or product page but must be seen as part of the wider media and marketing mix and not a

solus activity. Lower CPAs may look appealing at first, but they do not generally drive up overall sales volume, rather they capture people who are likely already going to buy your product.

To drive that e-commerce growth, one must mix long-term brand building and a focus on increasing physical availability on the digital shelf. With TV being the biggest driver of search traffic and on consumers are more likely to start their commerce journey on Amazon than off it is critical that you take a digital salesforce-like approach to the online storefront.



N=587. Source: Raymond James research.

Above: Amazon now accounts is now the primary starting point for product searches – not Google

As the old search marketing saying goes, “if you want to hide a dead body, place it on the second page of the Google results”. If you want people to buy your product on Amazon or

other online retailers, then optimise your product pages so they rank for high volume keywords relating to your product.

Algorithms will increasingly dictate which product is best for us, so this is better done sooner rather than later.

Embrace new opportunities – but don't lose sight of brilliant basics

As often with the 'new', the biggest mistakes brands make tend to be executional (i.e. chasing the new and shiny) rather than adapting on how consumers do or not change behaviour change in new environments.

Take for example collecting 1st party data – often a valuable by-product of online commerce activity, in that it allows for direct communications (CRM) and enhanced audience understanding. A shift in strategy to a D2C-type model to obtain 1st party data, as some brands often do, is usually putting the benefit above the purpose.

If you are considering the shift to D2C models, ask yourself how you are going to compete on price point, consumer experience or distribution/fulfilment. Or indeed, if you are willing to spend millions of dollars driving people away from consumer's preferred retailer experiences to your own dot com – potentially lowering sales volume in the process.

For many brands, especially those in the Premium and Luxury sectors, a D2C approach to e-commerce makes perfect sense. But that is generally a replication of the retail strategy employed in physical retail (see 'Best in class' point above). For brands that have traditionally been sold through third-party retailers, a shift to a D2C usually results in reduced sales volume.

Above: Prof. Scott Galloway from L2/NYU discusses the impact of algorithms/voice devices on product recommendations.

This, of course, is not to say brands shouldn't embrace the new ways of working with e-commerce – being an early adopter allows brands to obtain valuable learnings and insights

on customers and how they behave before the competition. But these should be part of structured test and learn activity – not as part of day to day business critical.

Voice, for example, is a niche sales channel at best right now, and many of the recommendations made above (physical availability, understand the audience/product) will help brand sell to the early adopters of this technology.

There are many new opportunities that can build on commerce/e-commerce best practices to drive growth and improve the user experience:

- Collapsing the purchase – Shoppable advertising allows for deep links into preferred retailers to reduce friction in the purchase journey and increase conversion rate.
- Omnichannel selling – Offering the customer multiple purchase options (online delivery, in-store pickup, physical redemption) to increase conversion, and understand more customer behaviour to inform future comms and predicted journeys.
- Online exclusivity and scarcity – Creating products for a fan base informed by new data opportunities or a way to drive interest in D2C platforms/CRM.

E-commerce has been around for over twenty years. And while it continues to grow and have a greater impact on certain segments, we should never lose sight of some of the brilliant basics in online and 'offline' retail that still very much apply, but should also look to test, learn, and enhance with the new.

This article was originally published on LinkedIn.

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