

What's Next?

# The 2019 eCommerce Outlook for Brands

5 things brands must do to accelerate eCommerce growth next year, based on the Profitero / Kantar Consulting industry benchmarking survey

# From building the foundation to accelerating growth

With global retail eCommerce sales expected to hit \$3.5T in 2019, the digital transformation of shopping can no longer be denied. But are brands positioned and ready to capitalize on this change? Where do they see gaps in their ability to compete in eCommerce? Where are they investing most to win?

Each year, Profitero surveys hundreds of eCommerce decision makers and influencers globally and scans thousands of LinkedIn profiles to get a pulse on how brands are evolving to tackle the eCommerce opportunity. This year, we collaborated with Kantar Consulting to gather even more insights and dive deeper into how brands are positioning for the future.

Compared to last year, we see even stronger signs that brands are initiating sweeping organizational changes toward eCommerce at a rapid pace. If 2017 and 2018 were about getting the foundation in place, 2019 will be all about acceleration.

**“The rise of retail ecosystems governed by algorithms, and the ability to extract meaningful insights from data to provide channel and touchpoint fluidity, is fundamentally changing the rules of engagement. To win, brands must break down the silos and work in cross-functional teams — with marketing, sales, consumer engagement, eCommerce, stores, data analysis and supply chain — all working in harmony.”**

— **Malcolm Pinkerton**

Vice President eCommerce & Digital Insights,  
*Kantar Consulting*



## 2019 is shaping up to be a blockbuster year for investing in eCommerce.

With all of the activity surrounding eCommerce, five key insights from our analysis stand out.



**Join our webinar** on Dec. 3 for more in-depth insights and analyses

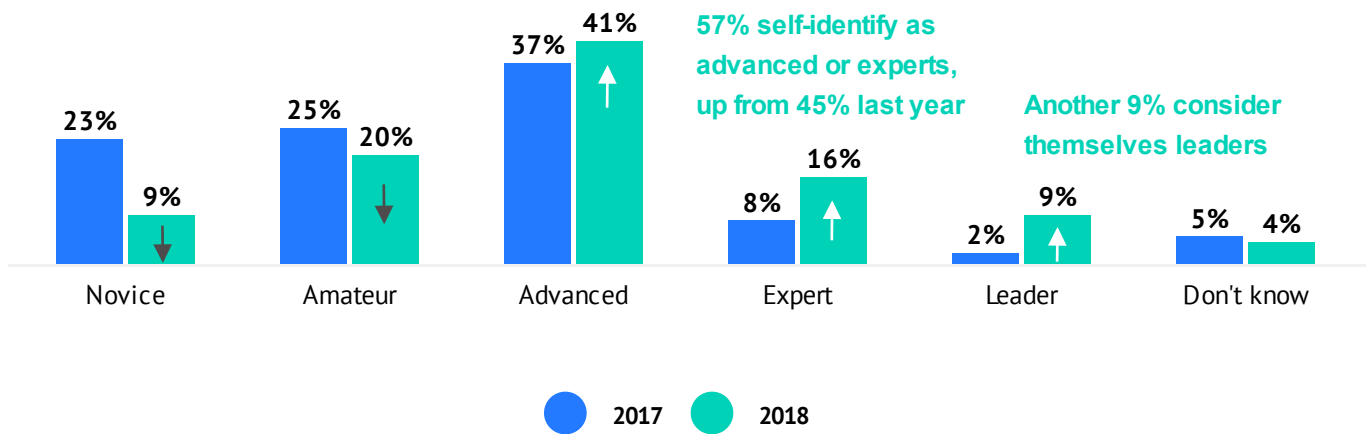
# 1. Act now to build digital capabilities or risk being left behind

Brands are maturing and becoming increasingly confident they can handle the more sophisticated aspects of eCommerce. This boost in “confidence” is mirrored by brands’ willingness to invest more in eCommerce.

In fact, 76% of brands surveyed are increasing their eCommerce investment. If your brand is not among those investing heavily in eCommerce, it’s time to step up your game or be left in the dust.

## Maturity level of brand manufacturers in organizing around eCommerce

Source: Profitero eCommerce benchmarking survey, 2017 & 2018



Novice—We are just beginning to organize around eCommerce

Amateur—We are engaging retailers in joint business planning that includes eCommerce

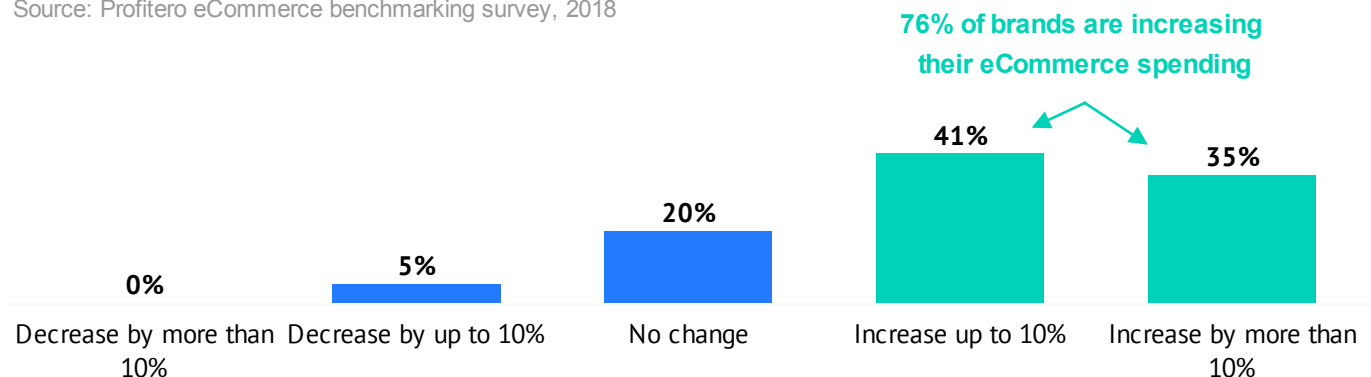
Advanced—All of the above plus dedicated eCommerce resources

Expert—All of the above plus clear objectives for eCommerce as a distribution & marketing/influence channel

Leader—All of the above plus we set the digital standard among our peers/competitors

## Brands' expected change in expenditures on eCommerce initiatives (year-over-year)

Source: Profitero eCommerce benchmarking survey, 2018



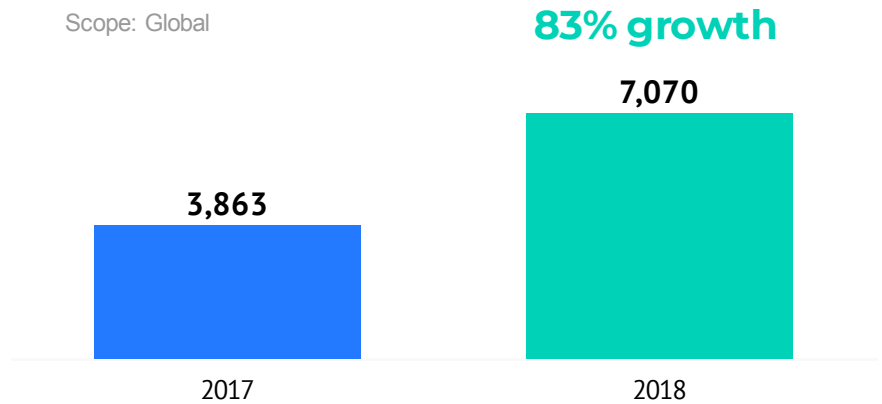
## 2. The arms race for eCommerce talent will intensify

Global eCommerce headcount is up dramatically from a year ago, with signs pointing to hiring more dedicated specialists in 2019. While the best eCommerce performers have historically concentrated on “sales” fundamentals, outperforming now requires switching attention to “experience” fundamentals, ensuring brands are correctly represented, discoverable and providing an engaging experience via online content.

### Growth in eCommerce headcount at 150+ leading consumer products brands

Source: Profitero's LinkedIn analysis

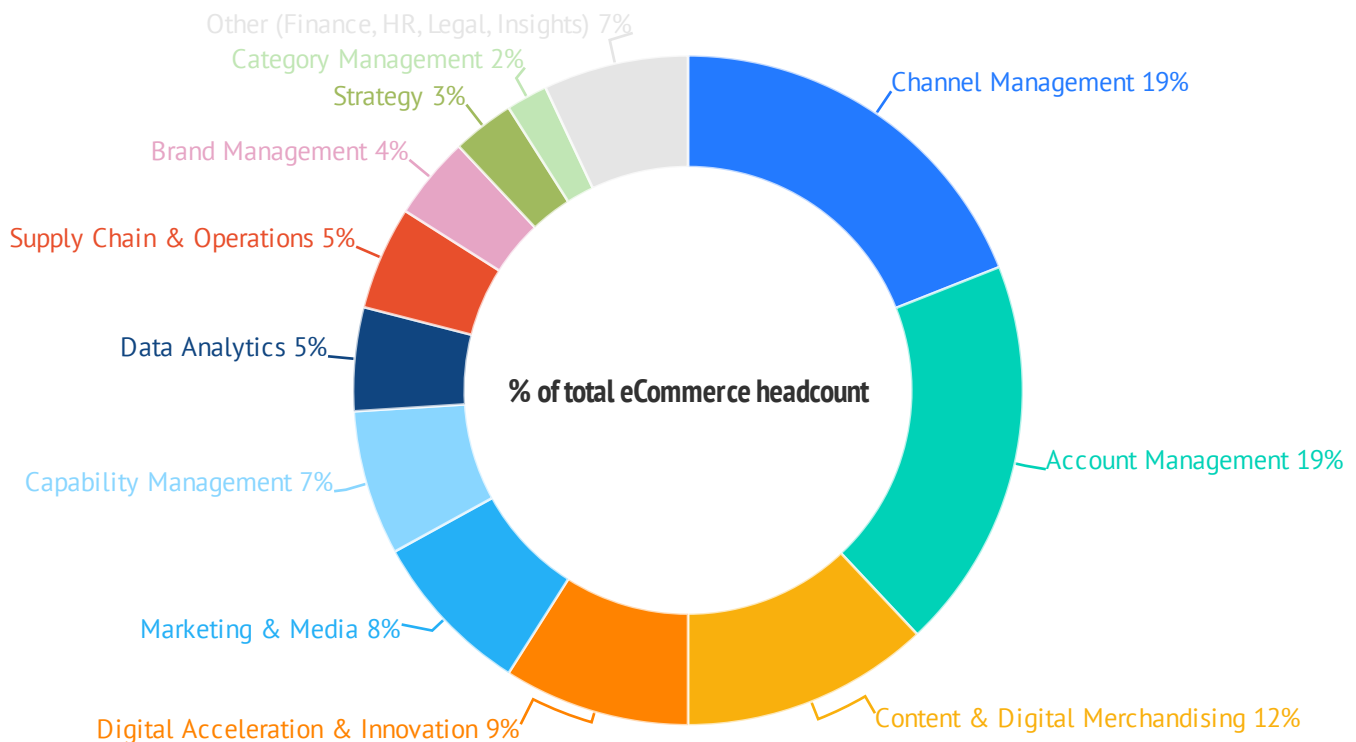
Scope: Global



### eCommerce workforce allocation by consumer products brands

Source: Profitero's LinkedIn analysis

Scope: Global



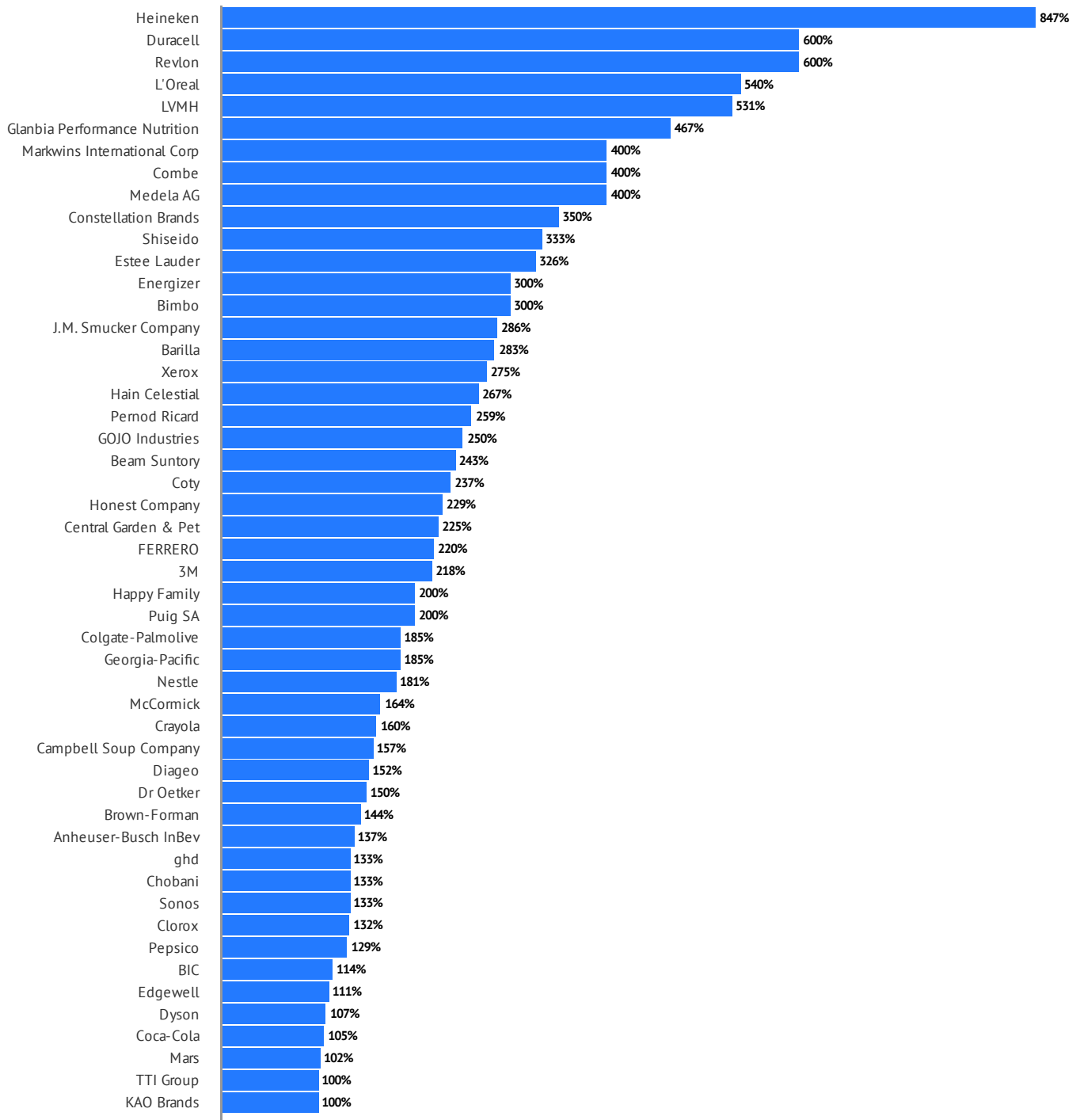
A growing roster of brands are accelerating their eCommerce headcount. Some brands — including Heineken, Duracell, Revlon, L’Oreal and LVMH — expanded their eCommerce headcount by as much as 500% or more in the past year.

As demand for eCommerce specialists outstrips supply, brands must invest heavily in training and development to bring new eCommerce skills to the workforce and talent they already have.

## Brands more than doubling their eCommerce headcount (2017-2018)

Source: Profitero's LinkedIn analysis

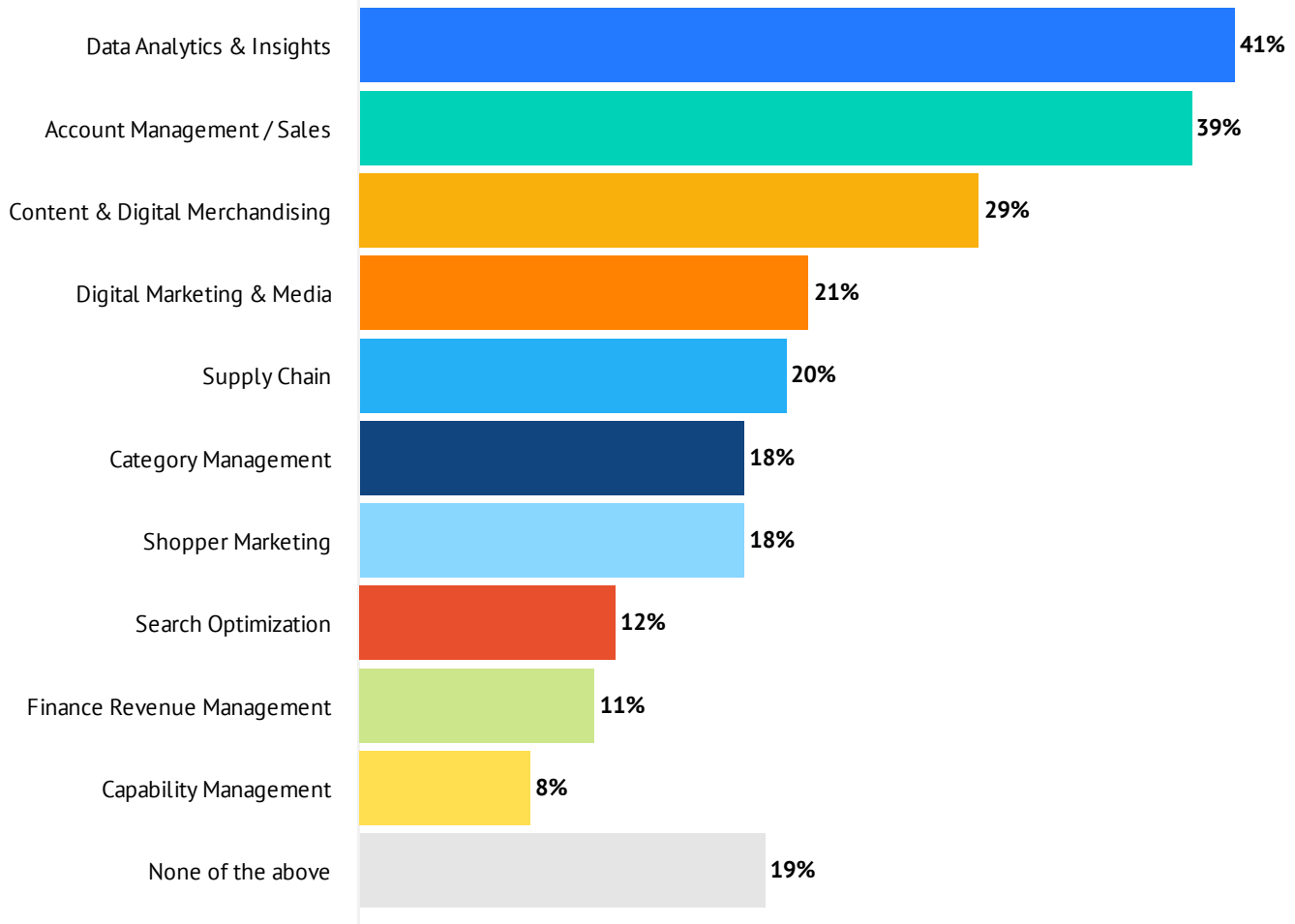
Scope: Global



## % of brands planning to add dedicated headcount in the coming year (by eCommerce specialist role)

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Source: Profitero eCommerce benchmarking survey, 2018



**"The significant over-investment in increased eCommerce headcount by many brands is a very positive industry move. Typically, however, eCommerce teams have been largely under-resourced with existing staff having to cover a wide range of brand and category responsibilities. Increased investment in both headcount and data analytics must coincide with a clear focus on priority actions and products that will drive the biggest uplifts to ensure brands are not wasting these new resources."**

— **Andrew Pearl**

Director of Strategy & Insights EMEA, *Profitero*

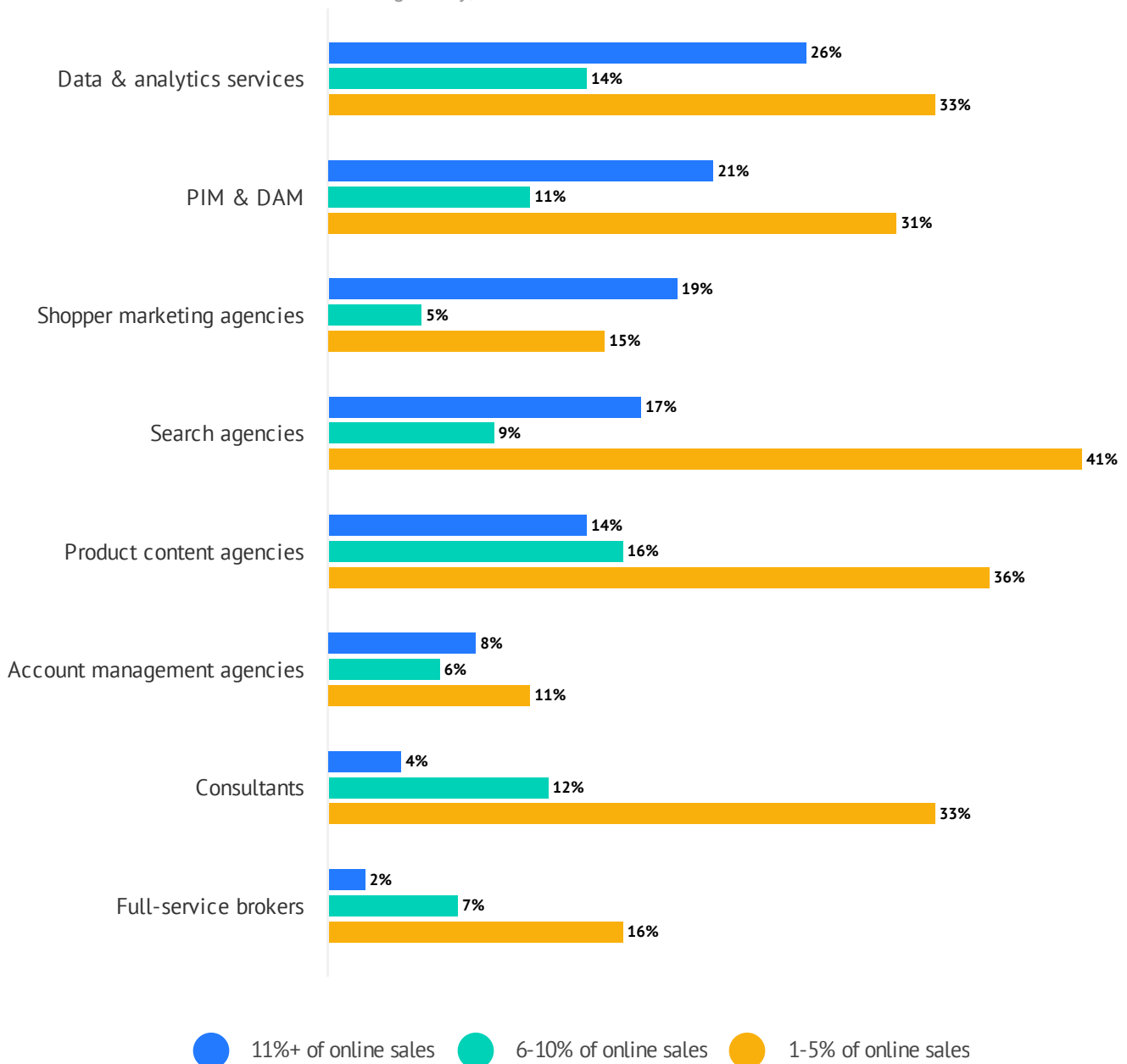
### 3. Outsourcing is an effective way to get the job done

Brands are leaning on agencies, brokers, consultants and other third parties to support critical eCommerce functions and help fill resource gaps. Agencies are being most heavily used for their expertise in SEO, content management and digital media — areas that require heavy specialization and are hard to build in-house.

Until companies can develop expertise internally, the demand for agencies will continue to grow, especially as a greater percentage of digital ad budgets (60%) shifts from Google to Amazon advertising.

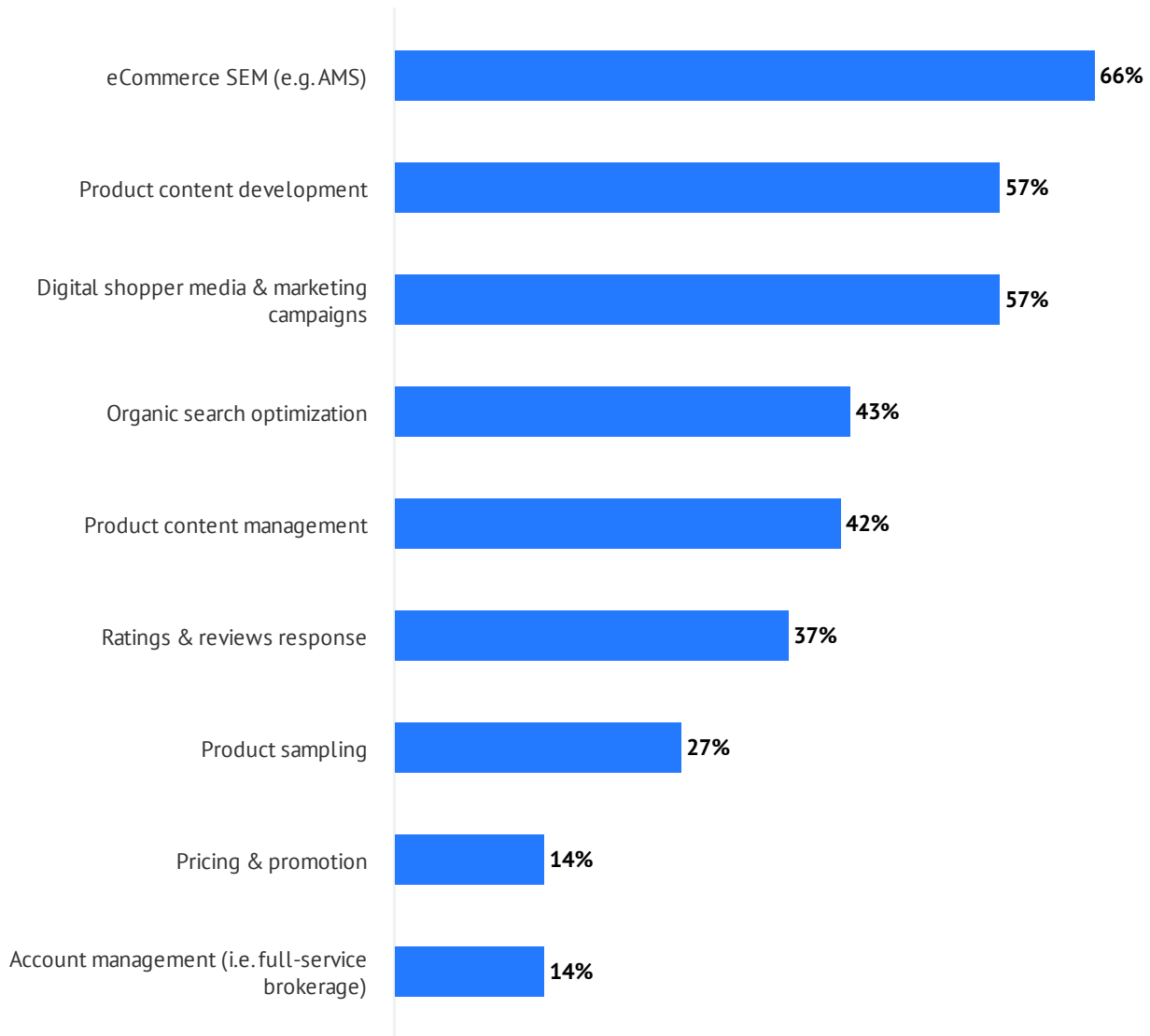
#### How brands are allocating their eCommerce budget (as % of online sales)

Source: Profitero eCommerce benchmarking survey, 2018



## How brands engage agencies & other third parties (multiple responses allowed)

Source: Profitero eCommerce benchmarking survey, 2018



**"It's important for companies to weigh the strategic considerations of outsourcing versus insourcing. Outsourcing some of your eCommerce activities to agencies, brokers or other third parties that specialize in those functions can allow you to extract tremendous value, progress along the eCommerce maturity lifecycle, and accelerate performance in an efficient and cost-effective manner."**

— **Andrew Pearl**

Director of Strategy & Insights EMEA, *Profitero*



## 4. 2019 will be the “Year of Data Analytics”

With the rise of algorithmic-driven retail, Data Analytics is no longer a nice to have; it's a central commercial function for brands. Consequently, Digital Analytics will be a critical area of focus and investment for companies in 2019 and for years to come. Incorporating data-driven insights as a fundamental part of the decision-making process could separate eCommerce forerunners from the also-rans.

**"Monitoring performance and understanding which digital shelf levers to take action on become increasingly crucial as brands transition from establishing an eCommerce presence to accelerating growth and improving performance. Having an eCommerce data analytics solution in place — and more importantly drawing relevant insights from the data to help drive outperformance — can give brands a leg up on the competition."**

— **Andrew Pearl**  
Director of Strategy & Insights EMEA, *Profitero*

**"Outperforming brands will be defined by their ability to leverage data to make meaningful connections with consumers, while creating seamless experiences in diverse channels."**

— **Malcolm Pinkerton**  
Vice President eCommerce & Digital Insights,  
*Kantar Consulting*

# 73%

brands allocating some portion of their eCommerce budget to Data & Analytics Services

# 40%

brands allocating more than 5% of their eCommerce budget to Data & Analytics Services

# 41%

brands planning to add dedicated Data Analytics & Insights headcount in the coming year

# 51%

brands that report “measuring and reporting on how eCommerce is performing as a distribution channel” as a top challenge

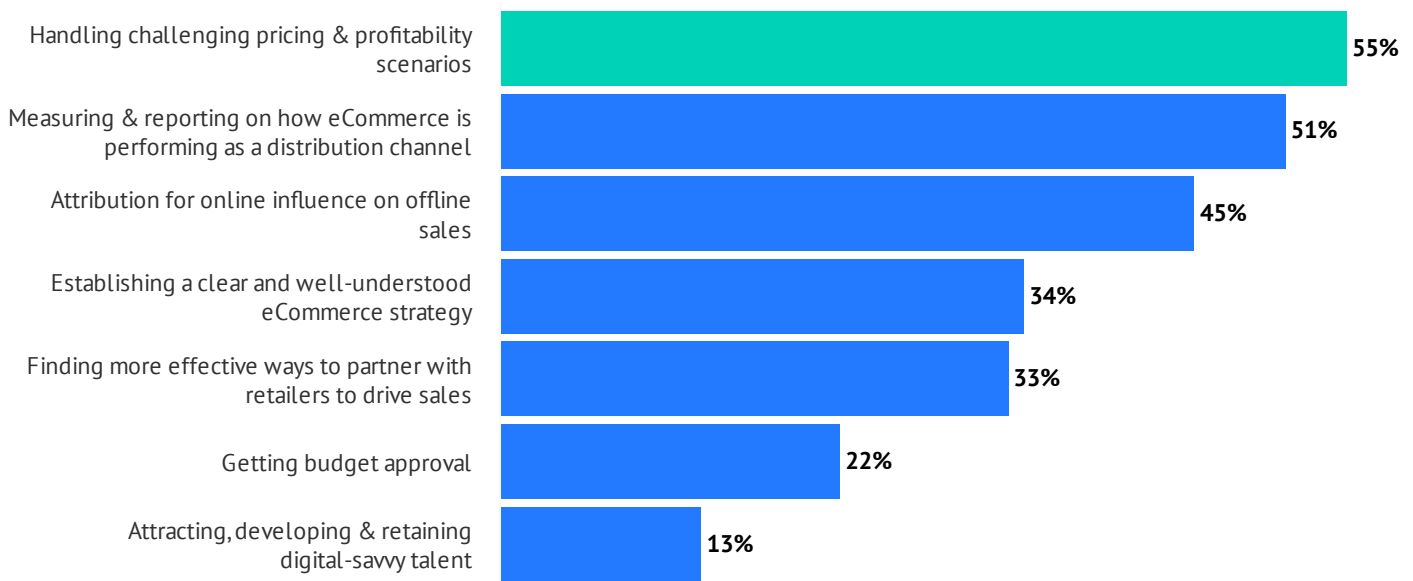
## 5. Focus on profitability and flexible selling models

As Amazon grows as a channel, managing intensifying price competition and selling profitably online has emerged as one of the biggest eCommerce challenges. In fact, more than half of respondents (55%) peg pricing and profitability as their #1 challenge to tackle. To overcome these challenges, brands must take a tougher stance on enforcing MAP policies with third-party distributors. They must also carefully manage promotional activity to avoid triggering “race to bottom” price matching across retailers.

Another way to deal with profitability pressures is through 1P/3P hybrid selling, which more brands are already pursuing or exploring. A 3P model also serves as a handy backstop when a brand’s demand expectations exceed Amazon inventory levels or when 3P sellers consistently win the buy box. Becoming their own distributor will, however, require brands to manage the complexities of building their own delivery networks. In short, it may mean more cost.

### Top challenges brands face organizing for eCommerce (top 3 selected)

Source: Profitero eCommerce benchmarking survey, 2018



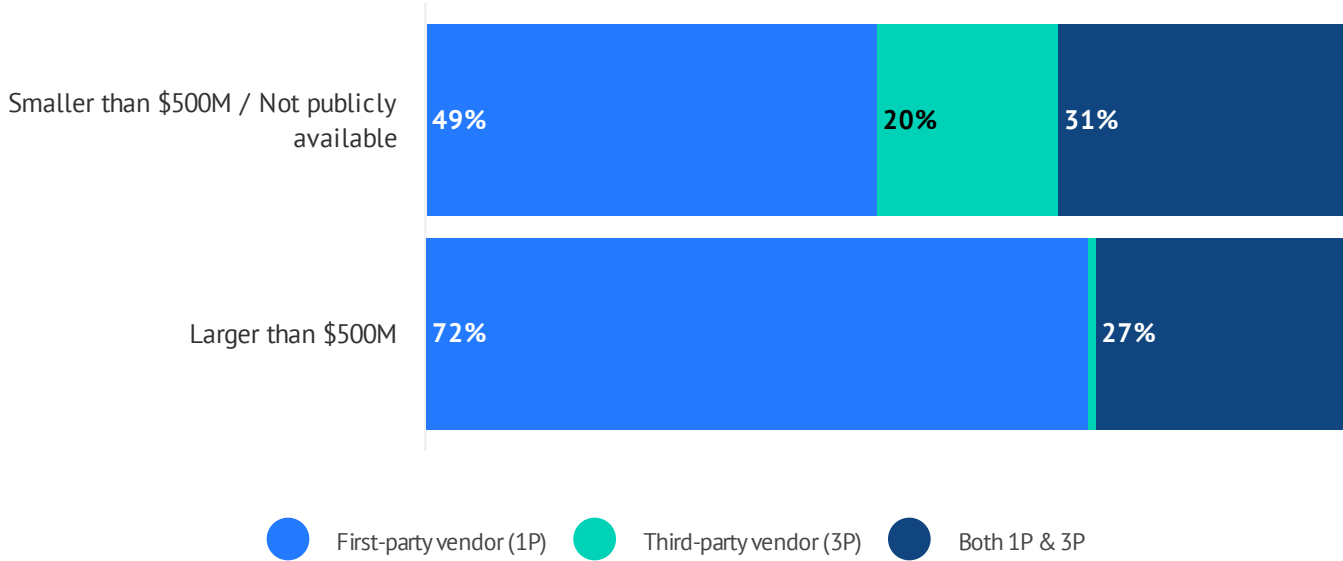
**“Brands need greater focus on distribution and item-level economics to create efficient route-to-consumer solutions. Establishing supply chains flexible enough to adjust in real-time based on sales results, and generate operational efficiency by utilizing AI and Blockchain, all while enabling the inclusion of emerging technologies such as voice, will become the cornerstone of any successful business.”**

— **Malcolm Pinkerton**

Vice President eCommerce & Digital Insights, *Kantar Consulting*

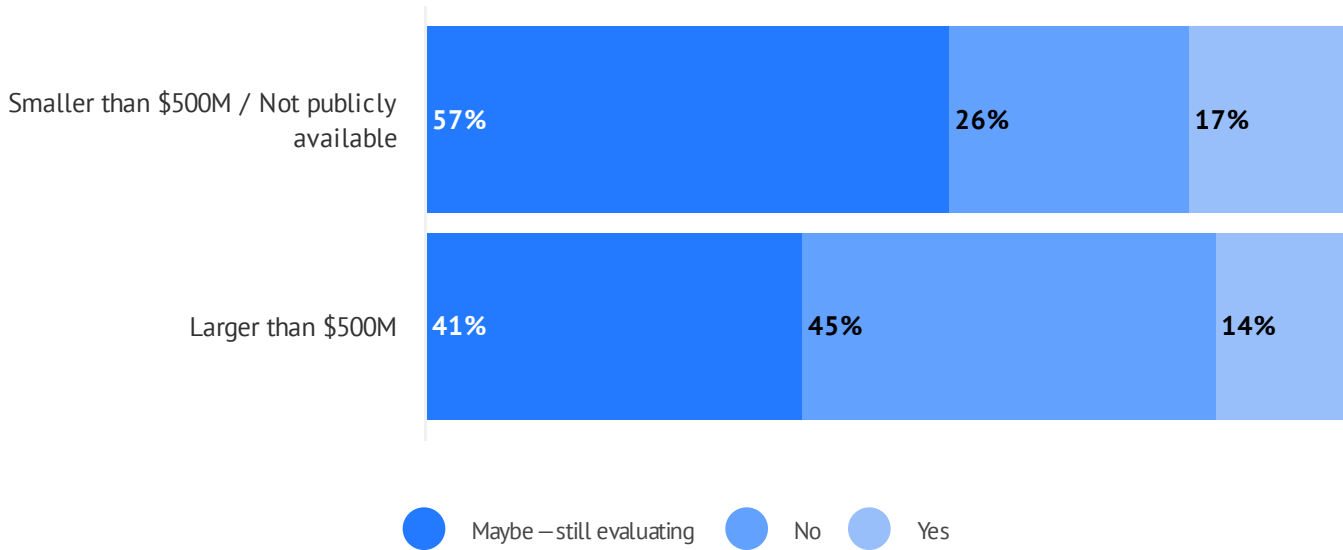
## How consumer products companies sell online (e.g. at Amazon)

Source: Profitero eCommerce benchmarking survey, 2018



## First-party (1P) vendors planning to become a third-party (3P) seller in the next 12 months

Source: Profitero eCommerce benchmarking survey, 2018



# Implications and next steps for brands

Based on our research and years of experience working with eCommerce leaders of consumer products companies — particularly CPG — one of the largest obstacles brands face is trying to unlock brick & click opportunities within organizations that are primarily designed and optimized to serve brick & mortar retailers.

Kantar Consulting offers some practical advice for eCommerce leaders seeking to drive change in their organizations:

- **Leadership needs to lead.** Many eCommerce leaders spend a disproportionate amount of their time evangelizing rather than commercializing. This is not only time-consuming but also exhausting, and a major reason why top eCommerce talent leave their posts. Gaining the buy-in of local market managers is best achieved through clear directives from the top.
- **Time for brand teams to get in the game.** Don't wait to integrate. In China, one of the key accelerators is the rise of eCommerce marketing as a fully-funded discipline reporting into the eCommerce organization. By contrast, in Europe and the U.S., most eCommerce organizations are poorly integrated with their Brand and Marketing teams, and where they exist, digital marketing budgets are more often invested separately from the eCommerce opportunity.
- **Put process before structure.** A surprisingly large number of brands that want to embrace eCommerce make the mistake of rushing to rearrange the Sales organogram before (and sometimes instead of) redesigning the underlying workflows. eCommerce requires that core commercial processes — including Media and Channel Execution, Analytics & Optimization, and Content Management — be revised, refined or created before roles and responsibilities are defined.
- **eCommerce & digital need to be a broad-based commercial competency.** Many companies see the need for eCommerce and digital skill-building as targeted to a relatively small cohort rather than an essential “upgrade” across all commercial functions. Bringing in specialist eCommerce practitioners can be key to kick-starting online sales growth, but due to the interconnected nature of eCommerce and digital, it can only really flourish when it becomes a truly enterprise-wide capability.
- **Digital Centers of Excellence are not an optional extra.** The pace of digital retail innovation is staggering. New platforms (marketplaces, direct to consumer, social commerce, etc.) and new technologies (voice, AI, etc.) offer brands unprecedented levels of consumer access and intimacy. There is a clear need and opportunity for Regional Digital Centers of Excellence (aka Digital Hothouse or Accelerator Teams) to play a greater role in overseeing and evaluating these developments, as well as supporting Test & Learn initiatives, for fast rollout in local markets.



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# Research approach & methodology

## **2018 Profitero eCommerce benchmarking survey:**

For the third consecutive year, Profitero conducted an online survey of brand manufacturers to determine their top organizational priorities, challenges, hiring plans and more as it relates to eCommerce. Fielded from July 2018 to August 2018, we collected responses from a total of 188 respondents in 2018. Year-over-year comparisons presented in this document represent 2017 versus 2018 findings.

## **Profitero LinkedIn analysis:**

Profitero examined the LinkedIn profiles across 150 unique consumer brands globally, identifying all people with an eCommerce-related keyword in their title. The eCommerce-related keywords used were: ecommerce, e-commerce, Amazon, digital, .com, etail, etailer, ebusiness or egrocery; results for 'digital' were only considered if directly related to eCommerce.

Research was conducted between June 2018 and August 2018, and reflects only people who have a LinkedIn profile. Year-over-year comparisons presented in this document represent 2017 versus 2018 findings, and consider only the exact same group of companies and keywords.

## About Profitero

**Profitero** is the eCommerce Performance analytics platform of choice for leading brands around the world. With Profitero, brands can measure their digital shelf performance across 8,000+ retailer sites and mobile apps in 50 countries, gaining actionable insights to improve product content, search placement, ratings & reviews, availability, assortment and pricing. Profitero also allows brands to measure their Amazon sales & share performance, along with the ability to correlate their sales performance with changes across the digital shelf. Many of the world's leading brand manufacturers depend on Profitero's granular and highly-accurate data to measure and improve their eCommerce performance. These include Barilla, Beiersdorf, Edgewell, General Mills, Heineken, Kids II and L'Oreal.

For more information, email [sales@profitero.com](mailto:sales@profitero.com)  
or visit <http://www.profitero.com>.

For additional guidance, contact Profitero today at:

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## About Kantar Consulting

**Kantar Consulting** is a global specialist growth consultancy. With over 1,000 analysts, thought leaders, software developers and expert consultants, we help our clients develop and execute brand, marketing, retail, sales and shopper strategies to deliver growth. We track 1,200 retailers globally, have purchase data on over 200 million shoppers, and forecast social, cultural and consumer trends across the world.

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