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# EIQ Report

## eCommerce Insider Quarterly

Q3/Q4 2022

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# Company Overview

**1,700+ learners**
**Over 1,000 companies served**

*"I loved the thought leadership and the "predictions" piece. It really gave me some ideas to think about in working with Amazon - What's in it for them? What are their underlying goals?"*

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## Allume Academy™

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## Allume Assembly™

Alongside a supportive community

Managed communities of manufacturers and retailers



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# Agenda

Overview

Trends

- eCommerce Trends
- Shopper Trends
- Manufacturer Trends
- Amazon Trends

Suggested Resources

# Overview

# Invest in the future…even if it's hard

*"The recession of 2008 taught us that the companies that tried to save in the short term by failing to invest in enhancing their capabilities* ***fell behind their competitors****.*

*By* ***investing now for the future*** *– and in the technologies that enable better agility today – companies can foster both day-to-day operational excellence and customer-focused innovation. This approach will position them well both for a potential 2023 downturn, and for whatever comes next."*

**Dr. Krishnakumar S. Davey**
President of Thought Leadership, IRI

Source: IRI Blog


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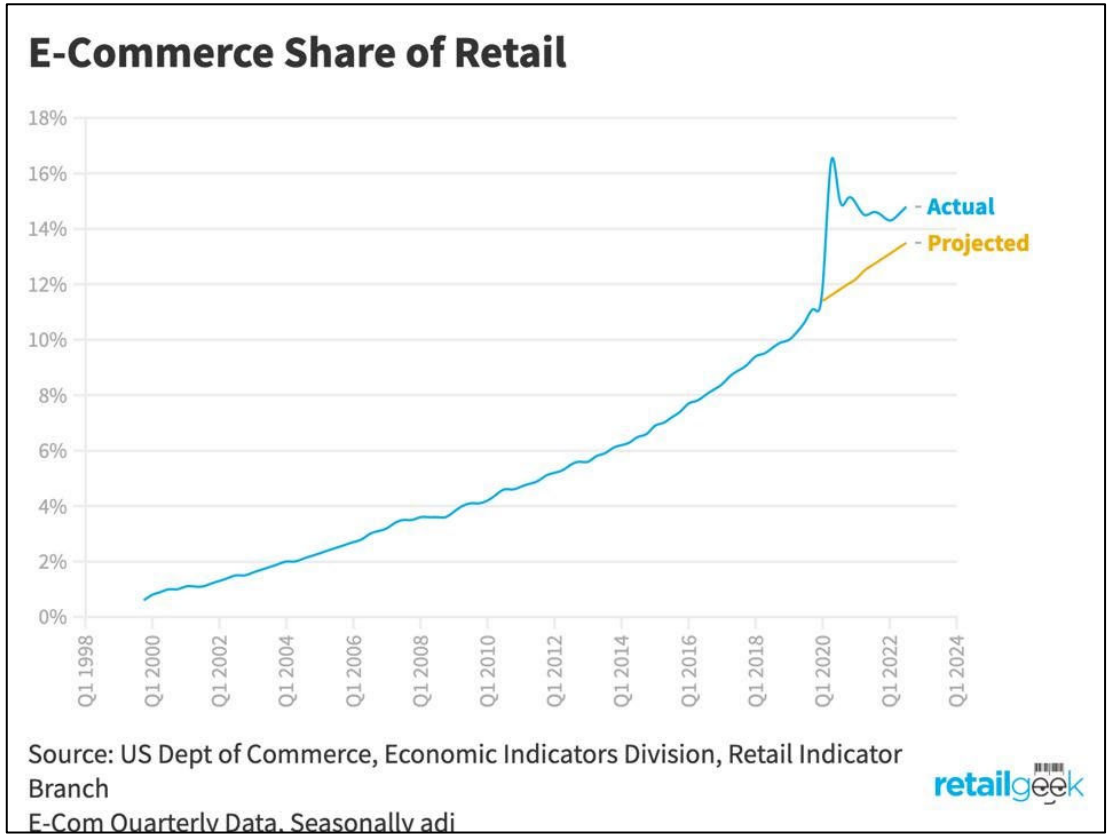
# eCommerce Penetration Update

"A survey of US consumers conducted in November by New Consumer and Coefficient Capital, found that Generation Z consumers were approximately half as likely as Millennials to discover new beauty products in-store but three times more likely to discover them via TikTok and YouTube.

In fact, Forrester recently estimated that **61% of all US sales are now influenced by digital experiences**."

--Jason Goldberg, Forbes




Source: Jason Goldberg, Forbes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# Cyber 5 Recap

**ONLINE SALES GREW (MORE THAN INFLATION)**
Online sales for Cyber Week rose 9% y/y in the US and 2% y/y globally, above the rate of inflation

**ONLINE AND SOCIAL MEDIA WERE GROWTH DRIVERS**
76% of Cyber Week eCommerce traffic was from mobile devices. Social media referrals represented 10% of traffic (a 22% y/y increase)

**SHOPPERS WAITED FOR DEALS…AND USED BOPIS**
Shoppers waited for Cyber Week deals vs. shopping throughout November like in years past. In addition, US retailers with order pickup / BOPIS capabilities saw 38%+ online revenue growth Cyber Week vs. those without BOPIS

**DISCOUNTS WERE HEAVIER Y/Y**
Global Average Selling Prices (ASP) rose only 3% vs. 2021, below the rate of inflation

Source: Salesforce


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# Trends

# Shopper Trends

## INSPIRE ME, PLEASE

Shopping online is becoming *less* transactional.

The role of the Internet has changed. Shoppers are using the internet for inspiration – and turning to social media, such as Tiktok or Instagram – for answers.

For reasons shoppers go online, keeping up with news and researching products decreased as a primary reason in 2022, while **finding new ideas and inspiration** moved up four places to sixth place.

In addition, shoppers want to be involved in the product journey.

"Brands have to make room for a new 'c' in their c-suite as, consumers are investing, co-creating and voting for change alongside brands." – Mintel, Global Consumer Trends Report

*"Younger audiences start their search from a place of curiosity and expect to be **led down a fun rabbit hole** of new ideas, rather than directed to a list of brands or products."* - GWI

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Sources: GWI, The Drum, Mintel, TechCrunch, Tubular Labs

# eCommerce Trends

A RECKONING OF INVESTMENTS TO SUPPORT THE DIVERGENT SHOPPER

Retailers like Sephora who offer complementary experiences – reasons to visit both the physical and online store – will flourish.

"Online and in-store shopping have come to serve distinct purposes for shoppers, and that trend will only continue." – The Drum

Today's inflation-impacted shopper becomes more sensitive to incremental expenses in the form of shipping costs and delivery fees, driving a forecasted $95B less in eCommerce sales in 2022.

## Three Phases of Retailer Digital Evolution

1. **Omni-Channel**
   *Assortment and programs parity*
2. **Omnicommerce**
   *Removing friction*
3. **Differentiated**
   *Complementary experiences*

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Sources: The Drum, The Washington Post

# Manufacturer Trends

## AN INTENSE FOCUS ON PROFIT

Profit concerns with retailers took center stage this quarter, surpassing supply chain challenges, as all parties deal with changing shopper behavior, rising costs, and thinner margins.

Brands grapple with P&L pressures, including difficult decisions on rising costs of Retail Media spend, "build vs. buy" decisions for digital capabilities, assortment decisions, and more.

As a result, brands are re-training their organizations to be more flexible, demanding tighter measurements on the impact of Retail Media spend, and prioritizing tier 2 retailers for profitable digital growth.

**Brand Manufacturers: What is your biggest business concern heading into the new year?**

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You can see how people vote. Learn more

| | |
|---|---|
| Supply chain challenges | 26% |
| Profitability with retailers | 50% |
| Retail Media effectiveness | 12% |
| Managing change (staffing etc) | 12% |

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Sources: Allume Group LinkedIn poll, Deloitte

# Amazon Trends

## SOFTWARE AND SERVICES COMPANY VS. A RETAILER

Amazon learns how to grow up and become a mature company, complete with customer service struggles, slowing growth, and an eye on profitability.

As Amazon grows into their overbuilt capacity (doubled during the pandemic), they face financial headwinds from a higher cost structure and fluctuating valuations of Rivian.

Sales shift more to services (54% of Net Revenue), such as AWS, Advertising, Streaming services, third-party seller services, and more vs. revenue from their traditional eCommerce business.

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Sources: Amazon's Earnings Report, Accelerate conference, Dealbook Summit interview with Andy Jassy

# 2023 Predictions

## OMNI-CHANNEL BECOMES "COMMERCE", SIMPLY

Shoppers don't think about channels – it's all commerce to them! Many brands and retailers are discovering that trying to push a shopper to transact online not only doesn't work, but it may not be margin accretive for either party. Let shoppers transact where they will.

## ONLINE RETAIL BECOMES MORE INSPIRATIONAL

The growth of TikTok, YouTube Shorts, Instagram, and other media have shown us that shoppers are increasingly coming online to be inspired. Retailers and brands will embrace this fast-growing trend to find ways to engage and inspire shoppers as eCommerce becomes more entertainment and less transactional.

## Retail Media MOVES OFFLINE

As data-rich players like Walmart and Kroger grow their presence in Retail Media, Retail Media expands into the physical environment, with retailer such as Walmart showcasing Retail Media advertisements across screens in their store and during self-checkout.

# Takeaways

1. **Loyalty marketing should take center stage**. As shopper budgets get tighter, giving them reasons to stick with your brands is key. Remember, it's cheaper to keep shoppers than acquire new ones!

2. **Agility to react to changing shopper behavior is key.** Brands need to create space and budget to quickly change course and find ways to gain flexibility in your organization. – share group – flexibility came up a lot. This could take the form of staffing, P&L flexibility, and other "hacks" that help you move fast.

3. **Seek out profitable growth.** We're hearing brands turning focus to Tier 2 retailers which may be more profitable for them. It's also time to think about how to be as efficient as possible with Retail Media spend, focusing on small scale experiments that can be scaled up.

4. **Invest in the future.** It's hard right now, but necessary!

# Suggested Resources

- Global Report – Connecting the Dots (GWI)
- Global Consumer Trends Report (Mintel)
- What these latest consumer affinity trends tell us about marketing in 2023 (Digiday)
- Salesforce Reveals Record-Breaking Cyber Week (Salesforce)
- Andy Jassey Interview at the DealBook Summit (NYT Events YouTube)
- Top Three Retail and eCommerce Trends (the Drum)
- The Demise of eCommerce is Greatly Exaggerated (Jason Goldberg for Forbes)
- Future Retail Trends Q4 2022 (Deloitte)
- 2022 Organizational Benchmarking Survey (Profitero)
- Demand Update (US Census)
- eCommerce Penetration (US Department of Commerce)
- Inflation (Bureau of Labor)


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# Thank You

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