



eCommerce Insider Quarterly EQ Report

Q3 2022



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Allume Group

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Allume Academy™

Certifications in Amazon Strategy, eCommerce Strategy, and more



Private Workshops

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Allume Assembly™

Managed communities of manufacturer and retailers

“ 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 and what are their underlying goals? ”
- Allume Group Client



Industry Updates



"When we look at this year's sales vs. last year, they were up +8.9%. When taking inflation out, it's only up +0.5%. So almost all the growth in retail so far this year has been the result of more expensive prices due to inflation."

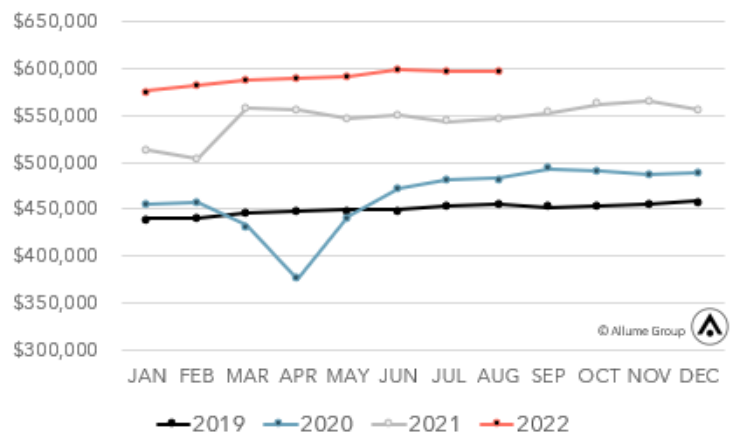
Jason Goldberg, Chief Commerce Officer at Publicis Groupe

Demand Update

INFLATION-AFFECTED DEMAND

Demand is now beginning to flatten, while still a significant jump over last year.

Monthly Retail Sales by Year in \$M
(US Department of Commerce)

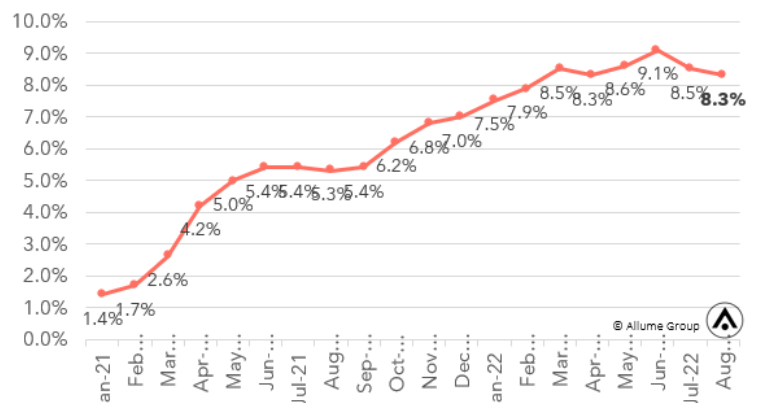


Inflation Update

INFLATION DROPPING, THOUGH STILL AT RECORD HIGHS

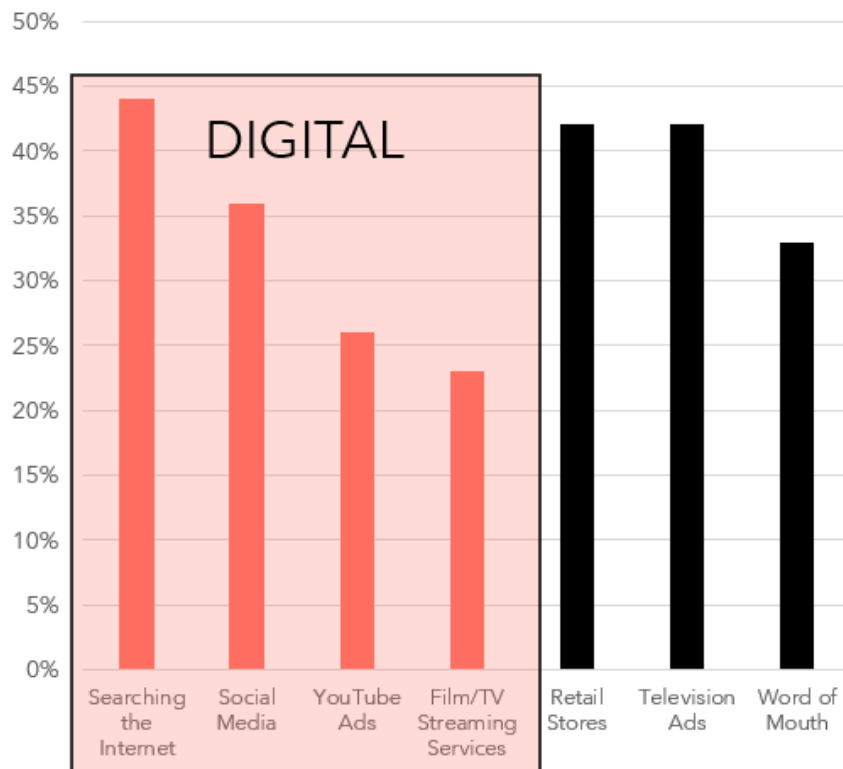
July and August CPI decreased slightly.

CPI % Change Y/Y



Sources: Bureau of Labor & Statistics CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U), not seasonally adjusted

Means of Product Discovery



Patrick McLean,
SVP & CMO,
Walgreens

“The pace of change is accelerating. Now that customers are rewired for digital, their expectations for personalized experiences have intensified. But only 11 percent of individuals surveyed in the 2022 Digital Trends report believe their brand’s digital experiences exceed customer expectations.

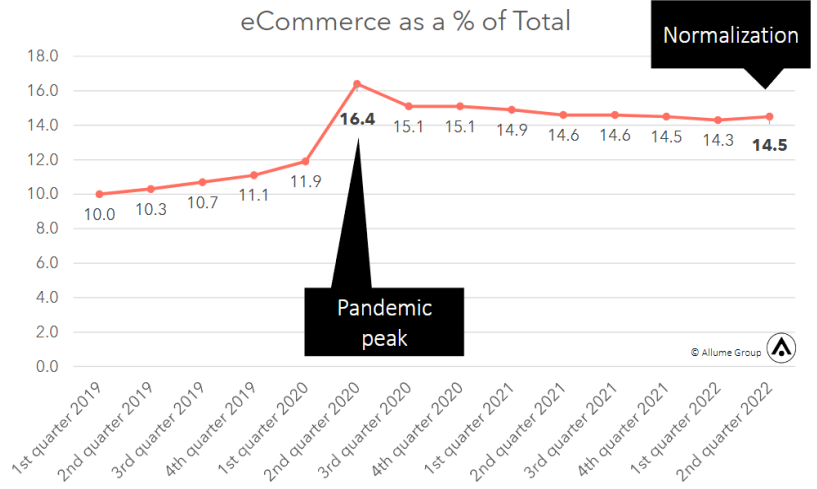
Businesses must create change at every level of their organization to compete in a digital-first economy – from embracing first-party data to increasing experience investment.”

Source: MarketingDive, HubSpot

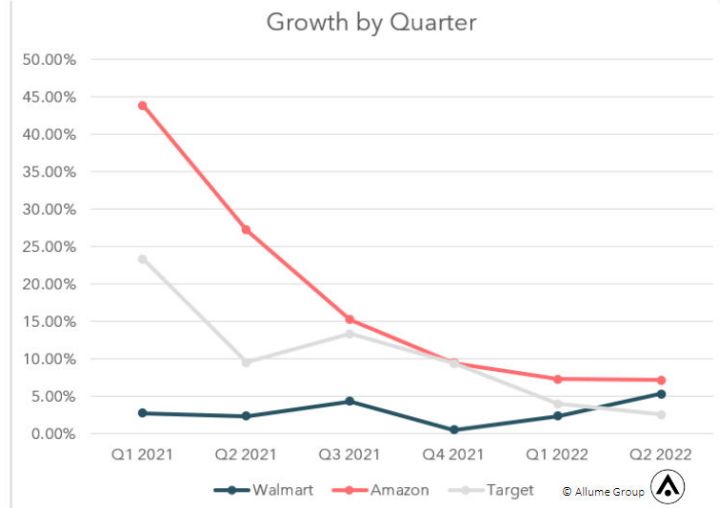
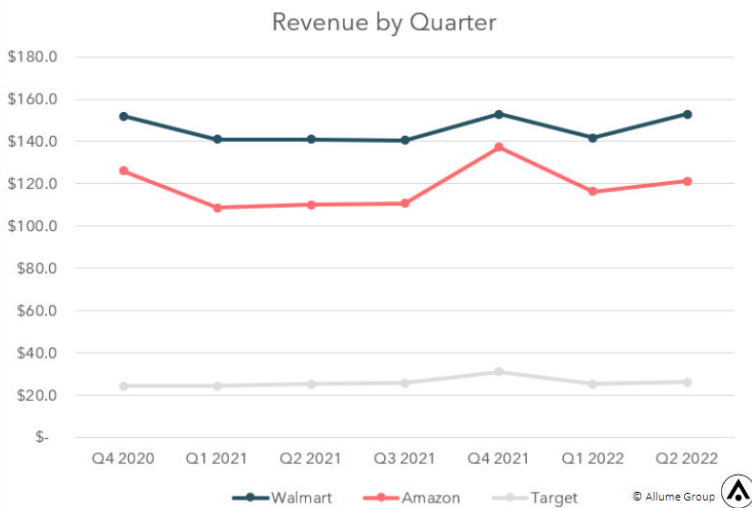
eCommerce Penetration Update

The COVID-19 pandemic created an eCommerce spike, but demand has normalized

The "settled" eCommerce as a % of total retail sales is 14.5% in Q2 2022 vs. a pandemic peak of 16.4%



Retailer Revenue and Growth by Quarter



Sources: Earnings Reports

Trends



Shopper Trends

SHOPPING, EDITED.

With 93% of shoppers reporting that rising grocery bills has contributed to rising household costs, shoppers curate their shopping experiences due to inflation impact, including reducing number of trips, trading down to lower-cost retailers and goods, and relying on social media and influencers for their limited discretionary dollars.



According to NielsenIQ, 38% of shoppers say they have already started to swap their tried and trusted brands for less expensive alternatives, and another 28% say they are considering it.

According to eMarketer, 65% of shoppers report spending more on groceries and less on dining out, and 33% are postponing big ticket purchases.

30% of consumers now report influencer recommendations are one of the most important factors in their purchasing decisions (vs. 27% for friends or family).

"Influencers have become so powerful, they not only impact what consumers want to buy, they are now, to a certain extent, controlling the way social platforms are evolving." - Amy Cotteleer, Chief Experience Officer at [Duncan Channon](#)

Trends



eCommerce Trends

A RECOGNING OF INVESTMENTS.

The screenshot displays three news articles in a vertical list. Each article includes a source logo, a title, a short summary, and a date. The first article is from Quartz, dated March 29, 2022, with a title '15-minute grocery delivery startups are already folding' and a photo of a delivery van. The second is from Business Insider, dated May 25, 2022, with a title 'VCs and Analysts on Viability of Ultrafast-Delivery Startups' and a photo of a delivery person on a motorcycle. The third is also from Business Insider, dated '3 weeks ago', with a title 'Why Rapid-Delivery Grocery Startups Couldn't Hack the US: Analysts' and a photo of a delivery van.

QZ Quartz
15-minute grocery delivery startups are already folding
Delivery of just about everything became mainstream during the pandemic, and has rapidly evolved to include the so-called ultrafast delivery...
Mar 29, 2022

Business Insider
VCs and Analysts on Viability of Ultrafast-Delivery Startups
Investor skepticism around startups offering ultrafast grocery delivery had been growing over the past few months, and that was before the...
May 25, 2022

Business Insider
Why Rapid-Delivery Grocery Startups Couldn't Hack the US: Analysts
Days before launching his ultrafast-delivery business in New York City last year, Kağan Sümer, the CEO of Gorillas, based in Berlin,...
3 weeks ago

Retailers such as Amazon, Walmart, and Target find themselves overstocked on inventory no one wants and over-invested on eCommerce.

Once the darling of investors, Amazon FBA Aggregators, or companies who buy up successful FBA seller businesses, also struggle with too much inventory and not enough eCommerce shoppers.

Ultra-Fast Delivery, or Quick Commerce companies, face intense scrutiny as they struggle to achieve profitability.

Sources: eMarketer, Quartz, Business Insider

Trends



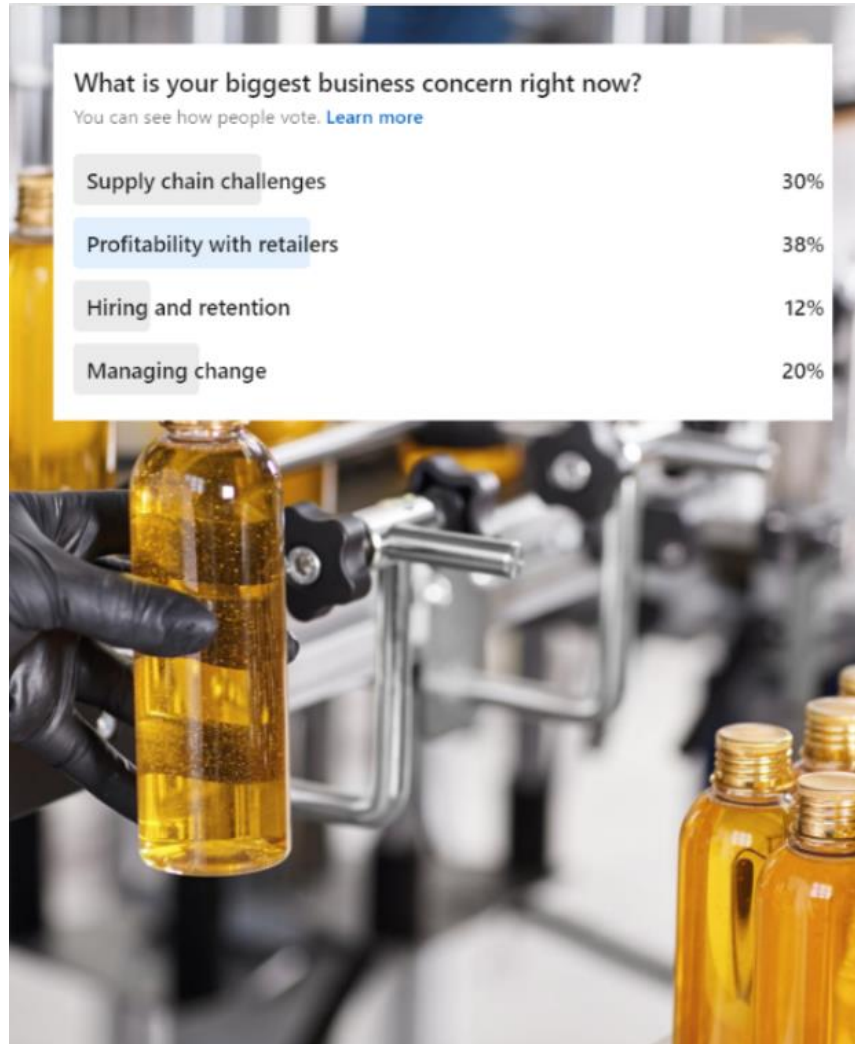
Manufacturer Trends

INTENSE PROFIT CONCERNS.

As retailers face rising costs, consumer brands face rising costs of both production and doing business with retailers, feeling the squeeze on both ends.

Brands struggle to find incrementality in skyrocketing Retail Media costs, yet 64% of CPGs plan to increase RMN spend. Brands have increased expectations for RMN offerings, including access to data and network interoperability.

Supply chain challenges and corresponding ripple effects are still front and center.



Sources: LinkedIn poll, Wakefield Research

Trends

Amazon Trends

SOFTWARE AND SERVICES COMPANY VS. A RETAILER.



Amazon experiences a mix shift towards services (53.7% of net revenue) vs. commerce (46.3% of net revenue). Online stores down -4.33% y/y also q/q, but everything else is up y/y.

AWS had the highest growth rate (33.3%) with an increased share of total sales (16.3% of the net revenue (vs. 11.4% pre-pandemic).

Amazon focuses on third party growth, services, and features, including supporting direct-to-consumer (DTC) sellers. From Dharmesh Mehta, VP of Worldwide Selling Partner Services at Amazon's annual seller conference, Accelerate:

"For much of the history of retail, there have been significant barriers that put high hurdles in front of entrepreneurs who wanted to launch a new brand. Together we have broken down so many of those barriers."

Sources: Amazon's Earnings Report, Accelerate Conference

Suggested Reading List



Articles

- [AdAge: How the Social Media Landscape is Shifting for Brands and Creators](#)
- Insider Intelligence: [Shifting patterns mean US adults are spending more time with media on entertainment devices](#)
- [Retail Wire: Rivals take notice as ads account for five percent of Amazon's retail revenues](#)
- [Business Wire: Americans Believe Food Inflation is 22.8%, Nearly 10 Points Higher than Reality, dunnhumby Consumer Trends Tracker Finds](#)
- Retail Dive: Rising prices have made shoppers choosy, budget-minded and less loyal – but they're still spending
- Retail Touchpoints: [Amazon's Counterintuitive Next Big Move – Helping Brands Sell Off Amazon](#)



Podcasts, Videos, and Events

- [Jason's "Retailgeek" Goldberg's Mid-Year 2022 recap](#)



Data & Reports

- [US Census - Demand Update](#)
- [US Department of Commerce - eCommerce Penetration Update](#)
- [Bureau of Labor - Inflation Update](#)
- [PYMNTS inflation report](#)
- [Marketing Dive Trends Report](#)
- [Hubspot 2022 Shopper Trends Report](#)
- [8451 Holiday Shopper Report](#)
- Nielsen IQ: [Cost of Living vs. Brand Loyalty Report](#)
- Congressional Budget Office: [How Inflation Households at Different Income Levels](#)
- Wakefield Research: [64% of CPGs Will Increase Retail Media Spending in 2023](#)



Thank You

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