

Global eCommerce & Marketing

Delivering a Successful Strategy

In partnership with:

dentsu

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Foreword from WFA

Ecommerce is now the fastest growing segment of the retail market in Europe and North America, with the Covid-19 pandemic serving to accelerate in a matter of months levels of online sales that were not originally expected until nearer 2025.

It's a huge opportunity for growth and one of the hottest topics on the agendas of the WFA membership. But as compelling an opportunity as this is, the new world order we've found ourselves accelerated into is hard to navigate.

As we explore in this report, the level of inter-departmental integration needed by multinational business to make eCommerce work can be hard to achieve. A plethora of partnerships, with both traditional and emerging businesses are required. Ideally, sophistication with emerging market tactics, including influencer marketing, shoppable media, social commerce, and others, are needed.

And all of this before it's clear how profitable the eCommerce proposition will be for brands, and when it may payback.

The perspectives, challenges encountered, and solutions deployed by peers can be instructive for multinational brands looking for answers and inspiration. And, as ever, the WFA approach to supporting members in this area has been to examine, connect, discuss, and workshop the challenges and opportunities eCommerce presents to global advertisers.

We hope that the insights and recommendations outlined within this new report provide valuable stimulus to help you further define, clarify, and steer your own eCommerce strategy, while helping you maximise the chances of success.

Matt Green
Director,
Global Media at WFA



Foreword from dentsu

The eCommerce numbers¹ are huge. Worldwide retail eCommerce sales will reach \$6.2 trillion by 2023, representing 22.3% of total retail sales – up from \$3.3 trillion and 13% in 2019. In the US, eCommerce share of total retail sales reached 15% in 2021 (just shy of the \$1tn mark) and will rise to 24% by 2025; whereas in the UK eCommerce already represented 28% of total retail sales in 2021.

And the change is here to stay. A recent report² found that, since the pandemic began, nearly half (46%) of UK consumers and 75% of US consumers have purchased a product online that they had previously only ever purchased in store. Crucially, 32% of all consumers surveyed (60% in the US) said they expect to continue with their new eCommerce habits in their post pandemic lives.

However, there are also reported concerns about the impact the growth of eCommerce is having on the bottom line of traditional organisations³. These organisations are grappling with disintermediation and the costs of direct distribution, returns and customer care as well as the consumer expectation that online means lower prices.

Given the growth seen, and to come, and coupled with these fundamental changes in both consumer behaviour and commercial pressures, it will not be enough for organisations to simply reposition their brands and continue as was. The consumer experience needs to be reimaged,

new value propositions developed, innovative go-to-market strategies implemented, and internal operations updated to enable and deliver the changes, cost effectively.

The aim of this study is therefore to provide Marketing leaders with actionable insights into how the Marketing and media functions can take a central role in driving, enabling and successfully delivering this growing eCommerce opportunity in the post-Covid world.

Specifically, the intention is to help Marketing leaders understand the objectives for eCommerce within peer organisations and gain clarity on the best practices that successful organisations deliver to accelerate profitable growth via their eCommerce activities.

This report will also help readers understand how eCommerce success is defined and measured, provide a view on the key actions and behaviours needed within the organisation and highlight the barriers that stand in the way of organisations achieving this success.

Nick Broomfield

Global Director & Client Partner,
dentsu international



Executive Summary

Strategy & Structure

- **eCommerce is already recognised as a key growth driver of organisation success; however, it is still a small proportion of total sales in 2021/2.** While 6 in 10 respondents have seen double-digit growth in sales via eCommerce channels, for 44%, it represents less than 10% of all sales.
- **eCommerce is still largely managed through a fragmented and siloed operating model and its leadership and ownership is unclear within most organisations.** Only 1 in 5 of all respondents combine eCommerce into a single function that manages sales and margin across eCommerce and traditional channels.
- **A focus on eCommerce sales may be at the expense of Brand Health.** Respondents who attach high importance to eCommerce have inverted their media spend, with 59% of spend focused on driving short-term sales.

Commerciality

- **There is universal agreement that eCommerce has driven revenue growth, but the impact on profitability is less clear.** Just 1 in 5 of respondents were aware of the impact on profitability from eCommerce and few organisations use profit as a measure of success.
- **However, metrics are shifting from activity and volume to commercial contribution as eCommerce increases in importance for organisations.** Only 14% of KPIs identified by respondents relate to the contribution eCommerce makes to the bottom line. But this improves as the eCommerce maturity of the organisation increases.
- **As omni-channel measurement capability grows, we see a shift to looking at the impact of all media on all sales.** By 2023, 48% of respondents expect to have the capability in place to understand the impact of all media on all sales. The foundations for 'channel-less' commerce are being laid today.

Executive Summary continued

Channels & Execution (Go-to-market)

- **Amazon is a critical part of any eCommerce strategy, but only one part and not enough organisations have focused on developing formal plans and partnerships with major retailers.** Just over half (54%) of respondents have ‘established strong relationships with all relevant retail partners’ and ‘have Joint Business Plans and appropriate processes in place’
- **Social Commerce remains an underutilised channel while Influencer Marketing tactics are more common. Both will see major growth throughout 2022.** 69% of respondents are using social commerce to some extent. Meanwhile, 48% agreed that they are adopting a strategy to identify and use influencers and creators to drive awareness, traffic, and conversion. Both tactics are expected to experience significant growth in 2022.
- **Shoppable media remains a tactic in pilot for most, with significant room for growth into 2022.** All respondents have trialled shoppable media and we expect more brands to adopt this mechanic in 2022/3. An increase in collaboration and integration of creative and media efforts will be required to make the most of the opportunity.

Barriers

- **The need to create new, or re-engineer existing, processes and the lack of available resource** (both resource levels and skillsets) are the key eCommerce implementation challenges that organisations first have to overcome.
- **Organisations must then overcome operational barriers to deliver eCommerce successfully.** Top here are barriers related to distribution and pivoting the operating model from a wholesale/retail focus, to a direct to customer focus and the financial and logistical challenges presented by this change.
- **Organisational challenges associated with eCommerce being operated from within a silo are seen throughout this research,** as are the challenges with delivering truly integrated media planning.

About this Research

The study is based on a survey of WFA members conducted in H2 2021.

The survey questions were developed between WFA, WFA members and dentsu international, WFA's strategic partner for Marketing Transformation. This report has also been co-authored by WFA and the transformation consulting team within dentsu international.

The report is based upon survey responses from 41 companies spanning 13 industry verticals. All respondents were in senior leadership roles, with 46% in media roles and 48% in sales/eCommerce roles.



The report will provide insights on eCommerce in the following areas:

01	Strategy & Structure	02	Commerciality
03	Channels & Execution	04	Barriers to eCommerce success

In seeking to avoid doubt on the scope of eCommerce across respondents, we defined eCommerce as follows:

“ The online purchase of goods and/or services by the end customer, including the ordering and purchase of goods and/or services at a physical venue via electronic/digital devices. ”

In analysing what good looks like, it is useful to consider a measure of eCommerce capability maturity to better understand the tactics and approaches used by more advanced organisations vs those still developing their capabilities.

To this end, we have assumed that those respondents who stated they see eCommerce as ‘critical’ and ‘very important’ are our “Mature” group whilst those who stated they see eCommerce as ‘Important’ or ‘Growing in Importance’ are our “Developing” group.

01

Strategy & Structure



- i. Impact on sales
- ii. Management
- iii. Leadership & Ownership
- iv. Impact on Brand Health

01 Strategy & Structure

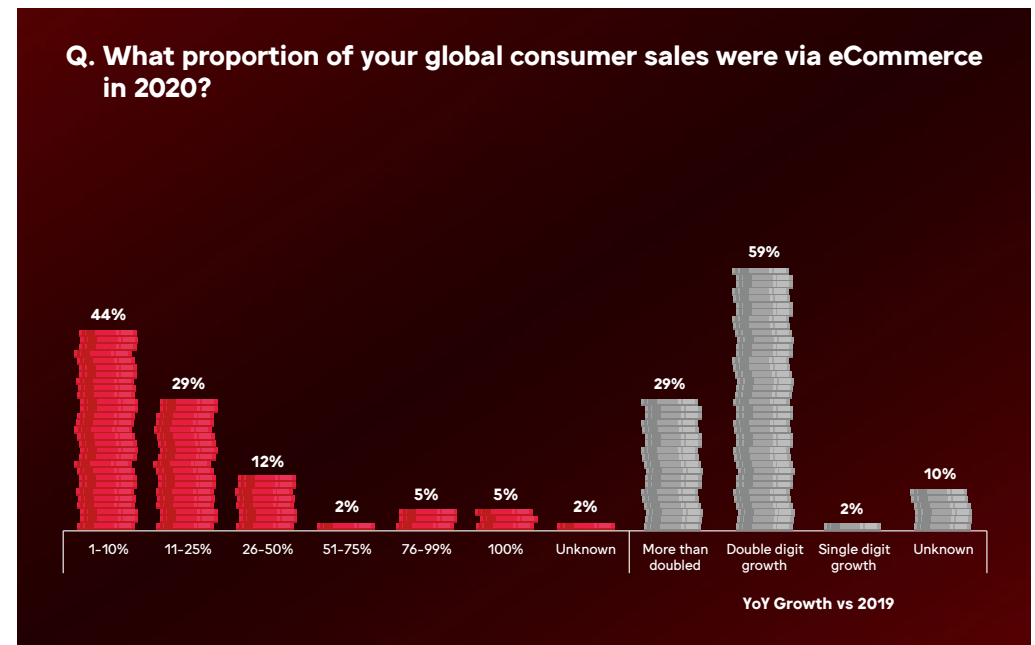
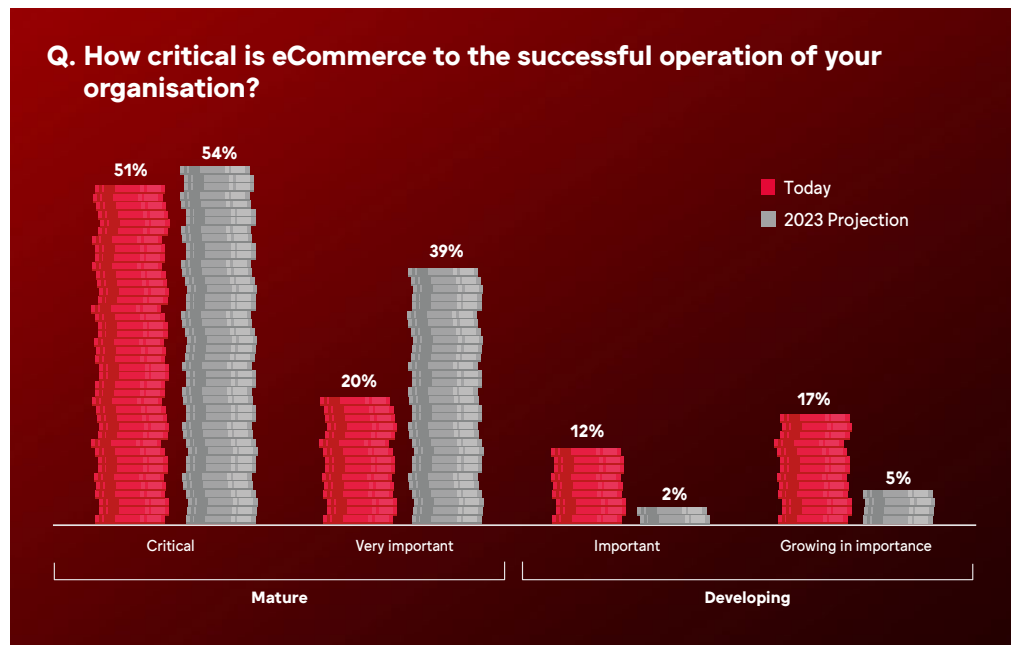
i. Impact on sales

eCommerce is already recognised as a key growth driver of organisation success but represents a small proportion of total sales in 2021.

In total 71% of respondents felt that eCommerce was either 'critical' (51%) or 'very important' (20%) to their organisations. By 2023/4 this rises to 93%.

The pandemic has forced many organisations to accelerate eCommerce plans, and it is not surprising to see 59% of respondents claiming double digit growth in eCommerce share of sales vs 2019.

However, in three quarters of organisations, eCommerce represents less than one quarter of total sales. For 44% it represents less than 10% of all sales. Amongst Consumer Packaged Good (CPG) organisations, this rises to 53%. This slower start to embracing eCommerce amongst CPGs is also reflected at the higher end, where two thirds of non-CPG respondents are realising more than 25% of total sales via eCommerce channels.



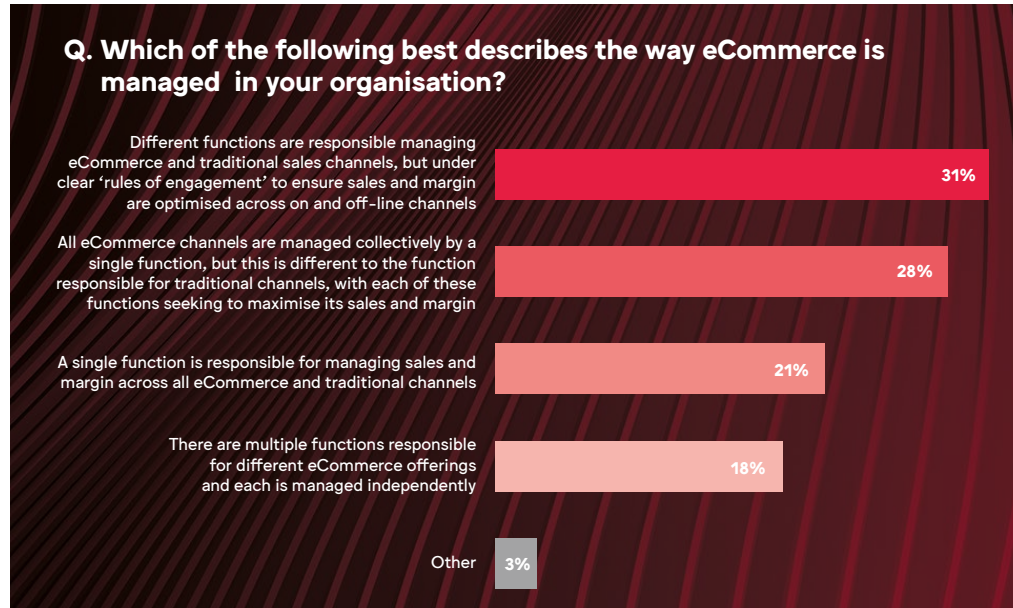
01 Strategy & Structure

ii. Management

eCommerce is still largely managed through a fragmented and siloed operating model.

A wide range of organisational operating models are currently being used to manage eCommerce across our respondents. Broadly, eCommerce is being managed in specific siloed teams, normally within the Sales function, occasionally within the Marketing team. Only 1 in 5 of all respondents combine eCommerce into a single function that manages sales and margin across eCommerce and traditional channels.

Indeed, 28% of respondents state that traditional sales channels are managed independently from a central eCommerce function, with each seeking to maximise its own sales and margins. The integration of online and offline sales channels is key to success, and we expect it to be a core focus of organisational transformation programs in 2022.



CHAMPIONING ECOMMERCE IN THE CPG CATEGORY – L'ORÉAL CASE

In 2021, L'Oréal again extended its digital lead: e-commerce grew by +25.7%, accounting for 28.9% of sales.

The Group has been able to make the most of its omnichannel strategy, with a clear revival in offline sales while e-commerce continued to grow, as seen on Q1 2022 results.

L'Oréal's eCommerce strategy contains several proven tactics, focused on O+O acceleration: direct-to-consumer commerce via owned sites (which includes a dedicated focus on Search Engine Marketing), social commerce, live-streaming shopping, subscription-based e-commerce, performance-driven e-tailer/pure-player partnerships, shoppable ad formats, virtual/AR 'try-on' technology (ModiFace) and personalised CRM program.

“ At L'Oréal, we think 'digital first' in all our endeavours. The digital world is moving from digitalisation to virtualisation, and from digital transformation to data transformation. In this world, our goal is to design and deliver the best and the most responsible consumer engagement with beauty. 2021 was a remarkable year for digitalisation, thanks to our talented community of experts. We drove e-commerce further and we built deeper connections with our consumers—through enriching beauty experiences. ”

Asmita Dubey
Chief Digital & Marketing Officer,
L'Oréal



01 Strategy & Structure

iii. Leadership & Ownership

eCommerce leadership and ownership are unclear within most organisations.

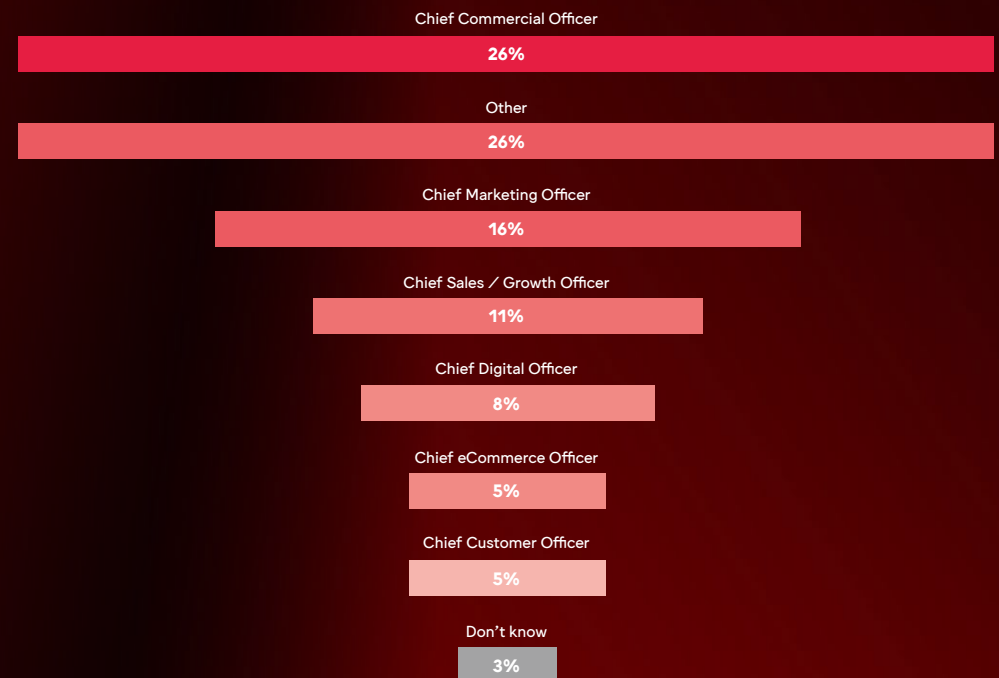
We wanted to understand which senior leader within the organisation is responsible for the eCommerce agenda and strategy. It was surprising to see 26% of respondents select ‘other’. The comments provided alongside the selection were informative. For some, “eCommerce is owned across multiple teams/roles”, or “eCommerce is owned locally and not in a global role”, or “eCommerce is owned by a more junior lead”.

This suggests that, for many, eCommerce is not seen as a strategic pillar that needs to be driven (or at least co-ordinated) by the C-suite, but rather as an opportunity to be pursued by individual functions or teams.

As may be expected, the CCO was the most popular at 26%, suggesting that eCommerce sits firmly within the remit of the Sales team. Just 16% stated that the CMO was responsible for eCommerce; in second place behind the CCO. However, as we also found in the recent 2021 WFA/dentsu report on Marketing Transformation, this is expected to grow. Amongst non-CPG respondents the Chief Digital Officer was the second most common owner of eCommerce at 27% (just 8% in CPG).

Overall, leadership will vary by organisation type, but what is key is that a senior role is in place with the authority and competence to make the changes required, accelerate commerce capabilities, break down siloes and ensure an integrated strategy is delivered across the wider business.

Q. Which senior executive does eCommerce report into?



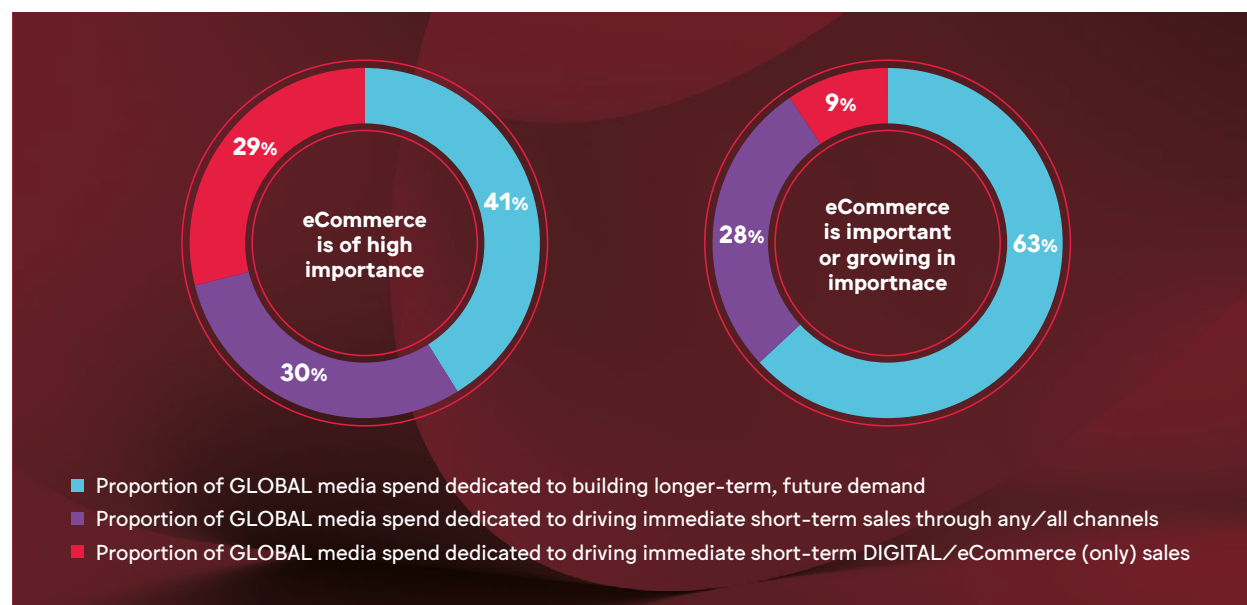
01 Strategy & Structure

iii. Impact on Brand Health

A focus on eCommerce sales may be at the expense of Brand Health.

When looking at which objectives media spend is directed against, the research shows a marked shift away from Binet & Field's 60:40 guidance⁴ for effective brand building.

Organisations earlier on in their eCommerce journey ('growing in importance') are still investing approximately 63% of their global media budgets in longer-term brand building. But those that already attach a high importance to eCommerce have inverted their media spend, with 59% of spend focused on driving short-term sales.



And those early-stage organisations expect to shift more spend from Brand Building to driving immediate digital sales in the future.

This suggests that, as organisations' perception of the importance of eCommerce to their business increases, so the focus of their media investment shifts to support it.

This may not be entirely a decision driven by marketing, however. Many marketers have experienced difficulties convincing their CFO of the value of brand building, whilst securing investment in Performance Marketing, with its more immediate returns, has been easier. Add to this the CFO desire to recoup the significant investment costs of setting up the eCommerce infrastructure and it is conceivable that pressures to shift media spend from brand to performance are building.

As Binet & Field point out, the balance we see in this research may, in some circumstances, be appropriate once the six contextual off-set factors are applied. However, it would be prudent for marketers to revisit their Econometric models (if they haven't already done so) and review the overall impact, both long and short term, of these shifts.

02

Commerciality



i. Impact on profitability

ii. Measurement

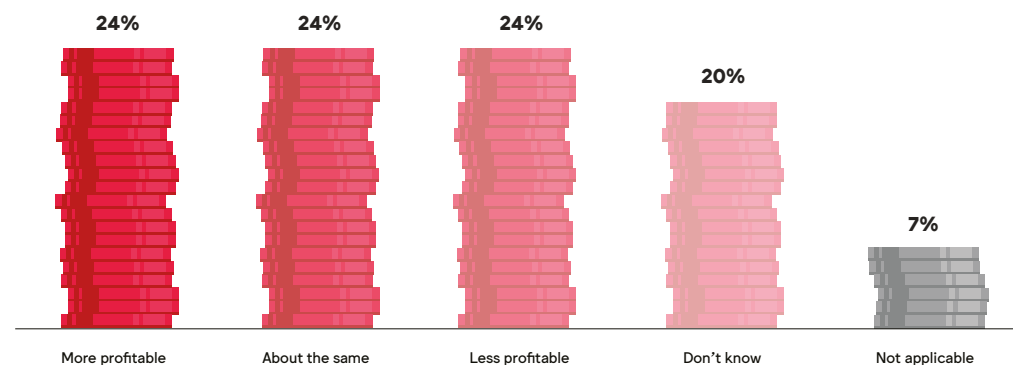
02 Commerciality

i. Impact on profitability

Impact on profitability from eCommerce is not clear.

There is universal agreement that eCommerce has driven revenue growth, but only 24% say the same about profit, with this falling to only 17% of CPGs. Meanwhile 1 in 5 of responders were not even aware of the impact on profitability.

Q. How does the profitability of your eCommerce sales compare to traditional channel sales?

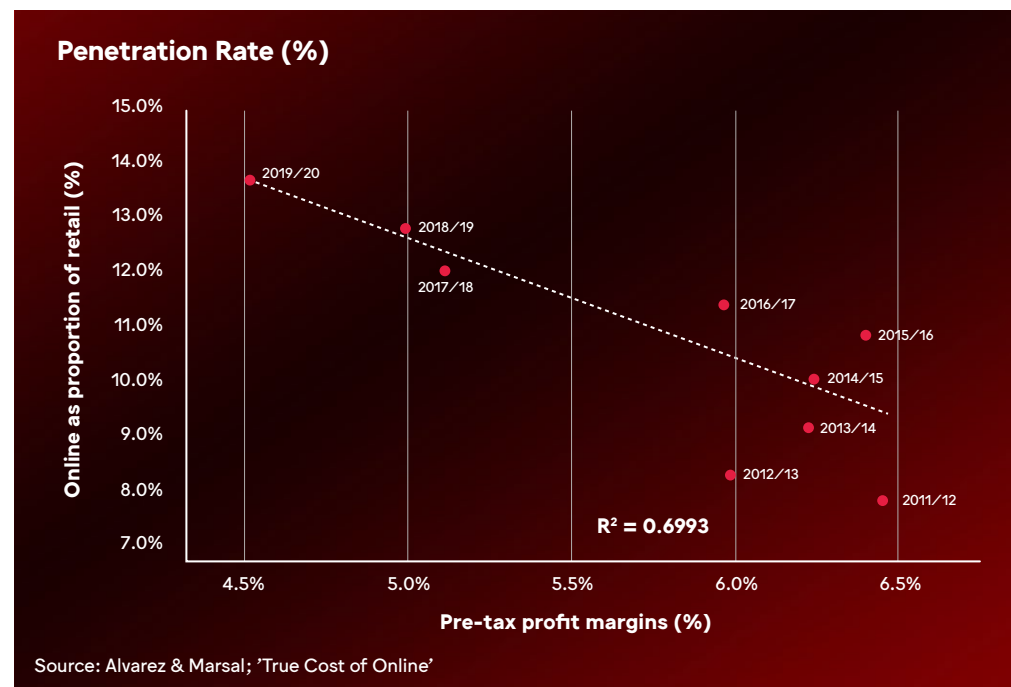


Whatever the level of return, most respondents (65%) do agree that profitability is an important measure of eCommerce success. It's surprising, then, that relatively few organisations are measuring this in connection with eCommerce.

Only 34% quote 'profitability' as one of the top three performance measures for eCommerce, compared to 94% who include revenue and sales volume in their top three metrics.

This may suggest a degree of complacency over margin and profitability 'assumptions' that may not hold up well to closer scrutiny.

Certainly, research by Alvarez & Marsal⁵ found that, for several European companies, the commercial strain from changes for eCommerce across operating model, supply chain, delivery, and distribution, returns and customer service, all had an inverse relationship upon pre-tax profit levels.



The diverse views on the impact on profitability can perhaps be explained, at least in part, by a lack of consistency in how the term 'profitability of eCommerce' is being interpreted. Dentsu have seen significant differences in which costs organisations include in their eCommerce contribution calculations. These range from, at one extreme, the inclusion of all set-up and infrastructure costs, along with all fully loaded operational costs, to, at the other extreme, simple marketing cost and product margin, with most combinations in-between. So, it is not surprising to hear such diverse views on the positive impact of eCommerce on commercial performance.

02 Commerciality

i. Impact on profitability

Metrics shift from activity and volume to commercial contribution as eCommerce increases in importance.

As expected, 'Revenue' metrics dominate what organisations consider most important to measure eCommerce. These were chosen as one of the top 3 metrics by 53% of respondents (and more if combined with other revenue measurements, e.g. 'Revenue by Traffic Source, etc). Volume-based metrics are also common (Sales Volumes, Site traffic Volumes, etc).

Metrics relating to the contribution eCommerce makes to the bottom line are critical but were only selected by 34% of respondents. And this drops to just 25% when looking at brands for whom eCommerce is not yet of high priority.

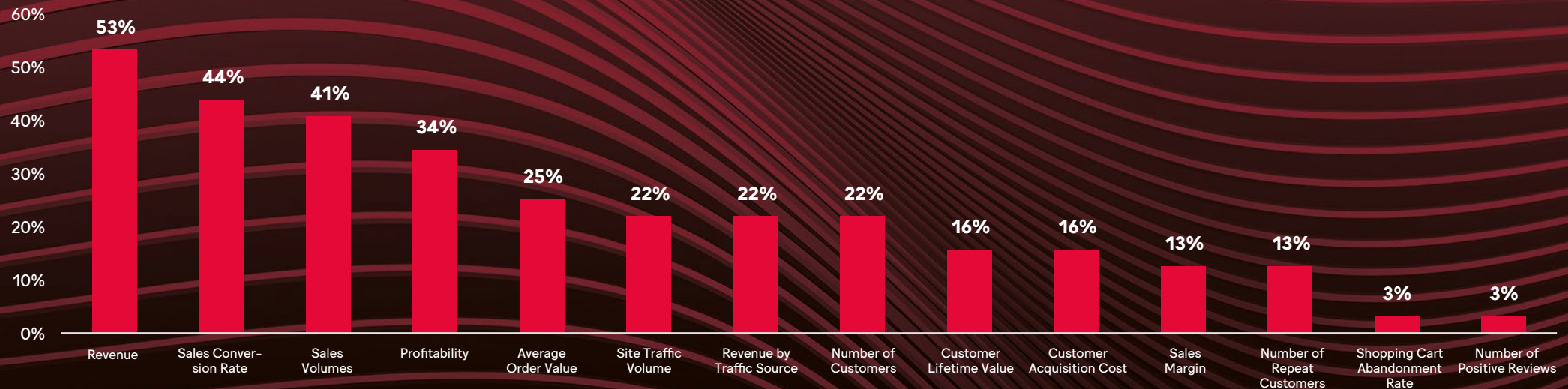
As a next step, organisations would be advised to review and align the metrics they use to track activity against the strategic objectives they have set for eCommerce.

“ While it is demonstrably clear that revenue can be created through digital, profitability is another matter. ”

James Hankins
VP, Sage



Q. What are the 3 most important metrics you are currently using to track and optimise for your eCommerce? Please select 3 options.



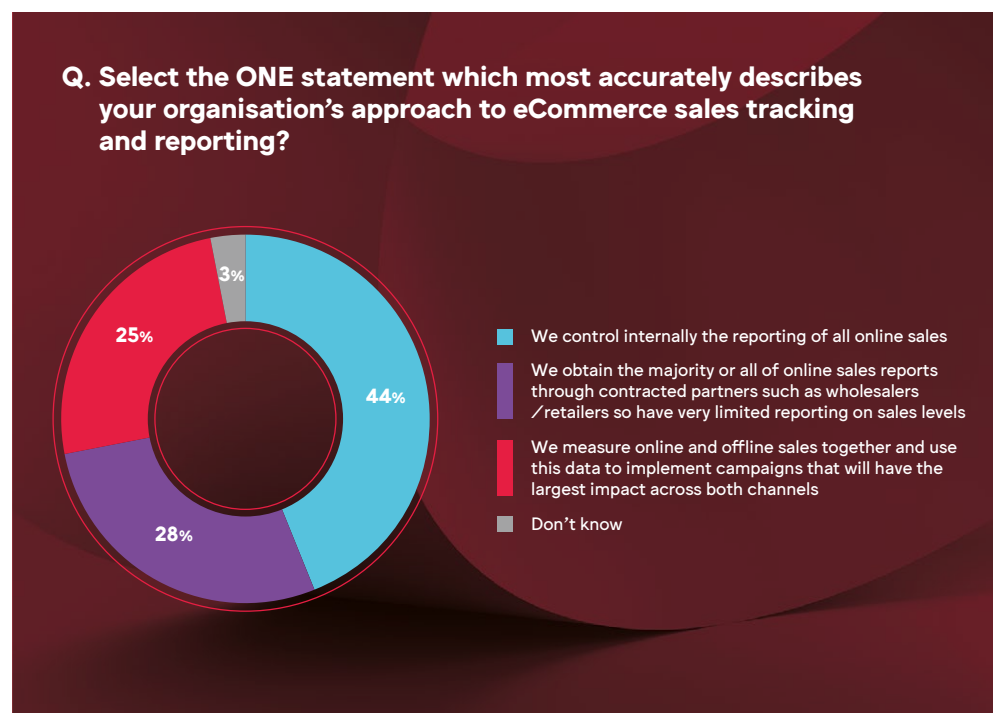
02 Commerciality

ii. Measurement

Measurement is highly inconsistent.

As expected, all responders track and report their eCommerce activity, but only 25% of them do so in a joined-up way that looks at overall impact on total sales, on and off-line. Furthermore, this is only something that occurs amongst more advanced proponents of eCommerce.

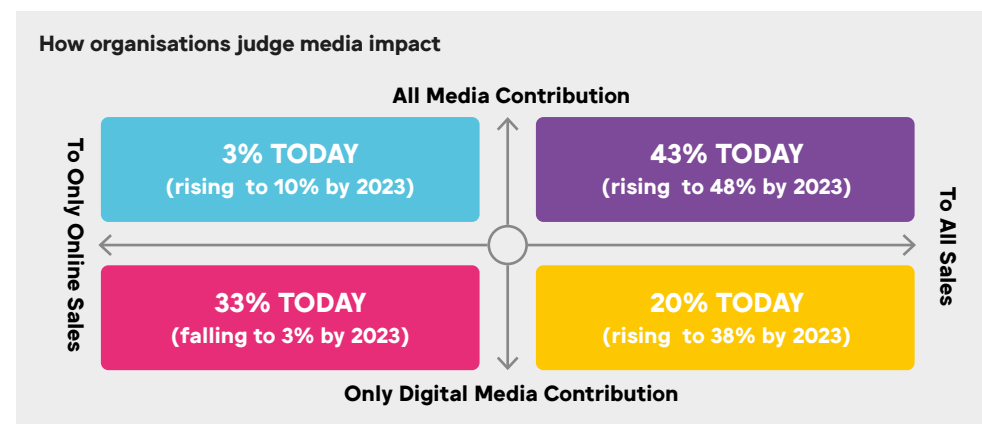
Findings suggest an evolution in measurement as the importance of eCommerce to the organisation grows. Measurement tends to start with a dependency on the reports into purely digital sales provided by contracted partners. This reliance reduces over time as control is taken in house, before extending the view of digital only sales to consider the impact holistically across sales channels.



Increasingly we see a shift to looking at the overall impact of media.

Currently, the basic approach to measuring media effectiveness is 'within channel', looking only at digital media impact on online sales; a third of organisations are at this point today. But of these, 90% expect to have advanced in their omni-channel measurement capability over the next 3 years.

Those with the full picture (i.e. the impact of all media on all sales) is growing - from 43% today to 48% by 2023. This will lay the foundations for 'channel-less commerce' going forward.



The pertinent learning point and recommendations from these findings is that organisations take time to:

1. Review the actual impact on overall profitability of their eCommerce activity (including agreeing a financial value with finance for less tangible benefits such as first party data acquisition).
2. Align metrics to strategy, particularly around the treatment of set-up costs and cross-functional operating costs.
3. Identify margin improvement opportunities and develop plans that deliver against them.

03

Channels & Execution (Go-to-market strategies)



- i. Channels
- ii. Execution tactics

03 Channels & Execution (Go-to-market strategies)

i. Channels

Not enough organisations have focused on developing formal plans and partnerships with major retailers.

For CPG/Grocery brands in particular, the Covid-19 pandemic has had a dramatic effect in driving online sales. WFA members have had to accelerate plans for how to benefit from the growth in sales and consider which online marketplaces are most relevant. Whether they tap into Amazon, Walmart.com, Instacart, Tesco.com or another marketplace, traditional retail is no longer the only channel brands should leverage to reach consumers and compete in this new economy.

However, just 41% of respondents state that indirect online eCommerce offerings from contracted retailers/wholesalers are a 'major channel'. And just over half (54%) have 'established strong relationships with all relevant retail partners' and 'have Joint Business Plans and appropriate processes in place'.

We expect to see this picture change over the coming months, as multinational brands seek to accelerate the number of formal retail partnerships in place, globally.

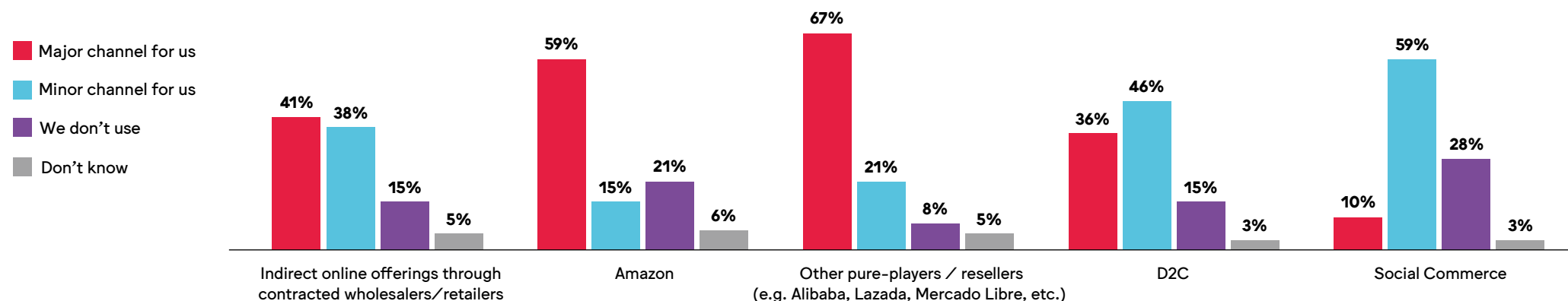
Amazon is a critical part of any eCommerce strategy, but only one part.

Overall, 59% of respondents now see Amazon as a 'major channel' for their eCommerce efforts, reflecting the explosive growth in the channel over the past few years. This is particularly true of the CPG category where this number rises to 72% (vs just 20% for non-CPG).

Given the growth potential of Amazon, and the burgeoning range of promotional, targeting and media opportunities available across the platform, there is, of course, a significant opportunity to develop a formal strategic partnership as part of an organisation's overall eCommerce (and broader media) strategy. However, the Amazon partnership should be developed as part of a broader partnership strategy, based on an understanding of sales volumes.

Looking beyond Amazon at 'other pure-player' online marketplaces, we see that 67% are using such partners, suggesting a targeted approach to identify the most popular and relevant partners to drive incremental eCommerce sales.

Q. Which of the following channels are major, minor or not used for your organisation's GLOBAL eCommerce sales?



03 Channels & Execution (Go-to-market strategies)

i. Channels

AMAZON GROWTH CONTINUES TO BOOM, ALONG WITH THE OVERALL MARKET

Amazon's US ecommerce sales will grow by 15.3% in 2021 to \$367.19 billion after a meteoric 44.1% rise in sales during 2020⁶. Ecommerce sales at many of Amazon's competitors (including Walmart and Target) are growing faster, but Amazon's sales are still growing faster than the overall market. Its share of US ecommerce sales increased from 39.8% in 2020 to 40.4% in 2021.

In the US CPG industry, in 2017 Amazon had a 43% hold on CPG e-commerce⁷. In 2021, that figure had fallen to 39% as competitors like Walmart tripled their share to 6%, Instacart doubled in size to 8% and healthy share growth was seen from the likes of Target, Kroger & Chewy.com.

Looking at US Grocery alone, Walmart led the way in 2020, garnering a 32.1% share of U.S. online grocery sales for the year⁸. Amazon was in second place in 2020, with 28.9% of online grocery sales. Kroger, the largest standalone grocer in the United States, was a distant third, with a 12.6% share of online grocery sales.

In the UK, Amazon is set to overtake supermarket giant Tesco to become the UK's largest retailer in the next four years. According to research from Edge Retail Insight⁹, Amazon's gross sales are forecast to top £77 billion by 2025 (£36bn in 2020), outpacing the UK's current largest retailer Tesco's predicted £76.1 billion (£64bn in 2020).

In online grocery, Tesco is number 1 by far with a 30.7% market share ahead of Asda at 17.6%, Ocado at 15.3% and Sainsburys at 14.4%. Amazon lags behind, but in the five years to 2025 Amazon is expected to see a compound annual growth rate (CAGR) of 16.3%, compared to Tesco's 3.5%, driven by a rapid rise in grocery sales.

Owned D2C offerings are a major go-to-market route outside of the CPG industry.

36% of organisations highlight that an owned direct-to-consumer (D2C) eCommerce offering is a major channel for them, with a further 46% indicating it as a 'minor channel'. 15% say they undertake no eCommerce activities at all via an owned website. However, there is a marked difference between sectors, with over 5 times as many non-CPG organisations citing owned D2C as a major channel than CPG businesses.

Some CPG organisations have successfully invested in owned, transactional websites when a specific consumer need is being addressed (e.g. Heineken's portfolio 'Beerwulf' shop, Nestle's Purina.co.uk pet care offering). And given the impending 'cookieless world', many organisations are also focused on D2C offerings to better own the consumer relationship and support first-party consumer data collection objectives.

However, for most commodity CPG's, it still makes sense to focus eCommerce efforts with existing retail partners and targeted online marketplaces.

03 Channels & Execution (Go-to-market strategies)

i. Channels

Social Commerce remains an underutilised channel, but is predicted to see major growth in 2022.

The global social commerce market is estimated to grow to \$604.5 billion by 2027¹⁰ (31.4% CAGR from 2020). With such huge growth it was not surprising to see that 69% of all respondents are using social commerce to some extent, although only one in ten see it as a 'major channel'.

Following the explosion in live streaming that originated and boomed in China during the pandemic lockdowns (e.g. Taobao Live), we expect to see significant growth in this channel in 2022. Similar solutions are now available from Facebook Shop, which now offers businesses the opportunity to live stream and feature products.

In the US, 35.9%¹¹ of US internet users will make at least one social commerce purchase this year with sales growing more than 35% to surpass \$36bn in 2021. Facebook alone boasts 56m social commerce buyers¹². Expect this trend to continue and grow across platforms into 2022.

Gartner, in their 'Predictions for 2022' report¹³, claim that by 2026, 60% of millennial and Gen Z consumers will prefer making purchases on social platforms over traditional digital commerce platforms. This is a nascent channel for the majority in 2021, with fewer than half of organisations having a dedicated strategy for social commerce. But our experience is that social commerce is delivering encouraging results for innovators, and we expect the growth trend to continue and grow across platforms throughout 2022.

“ We are accelerating our sales and marketing digital transformation with even greater purpose and determination. We plan to take (e-commerce) sales from about 13% in 2020 to 25% by 2025. Our marketing investment spent online will go from around 47% today to 70% in 2025. ”

Bernard Meunier

Head of Strategic Business Units,
Marketing & Sales, Nestlé



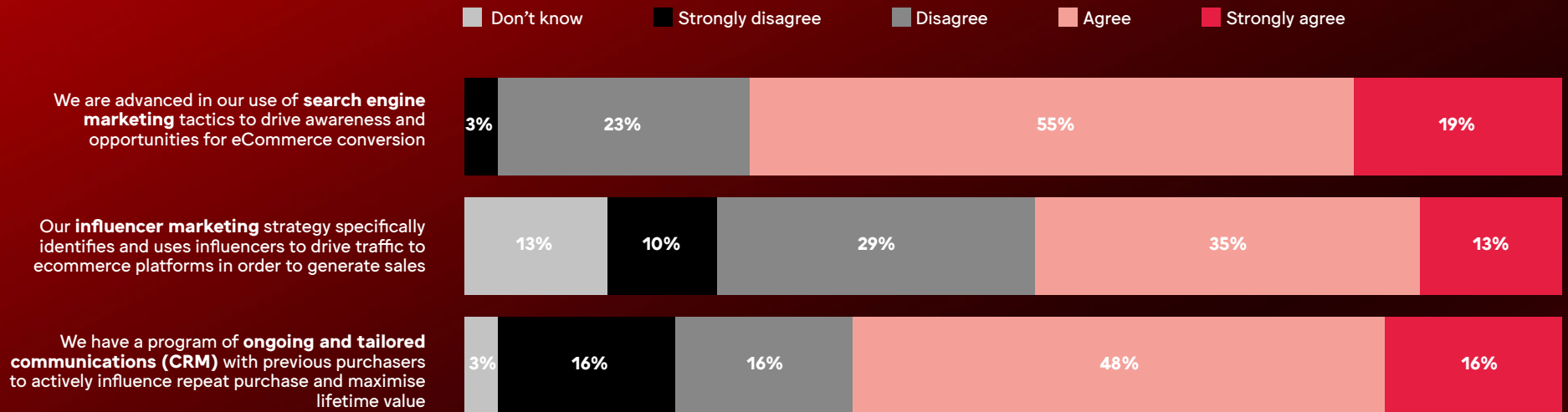
03 Channels & Execution (Go-to-market strategies)

ii. Execution tactics

Influencer Marketing tactics are being well used within mature organisations.

Overall, 48% agreed that they are adopting a strategy to identify and use influencers and creators to drive awareness, traffic, and conversion. This total (70%) is much higher for non-CPG organisations. Similarly, mature organisations are 3 times more likely to be utilising influencers than developing organisations (74% vs 25%).

Q. To what extent do you agree with the following?



03 Channels & Execution (Go-to-market strategies)

ii. Execution tactics

Search Marketing is a key tactic, but with significant room for improvement

Overall, it was encouraging to see almost three quarters of organisations agree that they are well advanced in using search engine marketing (SEM) to drive eCommerce awareness and conversion.

It would appear that the CPG industry lags behind other sectors with just 14% strongly agreeing vs 40% of non-CPG.

To boost visibility, we would recommend that organisations consider developing a comprehensive search strategy within the online retailers and marketplaces. Existing SEO and PPC strategies focused on the major search engines should also be reviewed, to ensure the most appropriate balance of search spend.

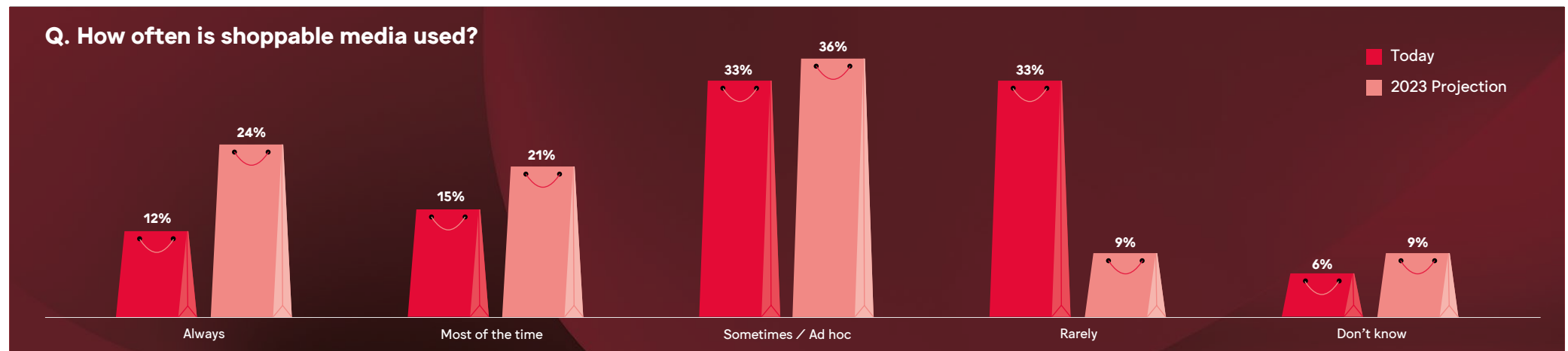
Shoppable media remains a tactic in pilot for most, with significant room for growth into 2022

The trend to making traditional ‘push’ online ad formats more ‘shoppable’ in order to increase immediate conversion within the ad format or media owner app itself, is one that has been growing at speed in the past 12-24 months.

More direct response focused interactive formats are being introduced alongside brand advertising that encourage consumers to ‘buy now’ or ‘add to basket’ in real-time. For example, YouTube’s ‘True View for Action’ video ad format, or Facebook’s ‘Commerce Manager’, or Snap’s ‘Dynamic Ad Solution’, where brands can turn business profiles into fully fledged online storefronts.

This research finds that organisations are still in trial mode. All respondents have tried shoppable media, and whilst 75% of developing organisations said they ‘rarely use’ it, this drops to just 20% for mature organisations.

We expect more brands to adopt this mechanic and, looking ahead to 2023, the % saying ‘rarely use’ drops to just 9%. An increase in collaboration and integration of creative and media efforts will be required to make the most of the opportunity, however.



03 Channels & Execution (Go-to-market strategies)

ii. Execution tactics

CRM programs are a clear strategic growth driver, but only for more advanced organisations

Overall, 64% agreed that they engage in a program of ongoing and tailored communications with existing customers. This is surprisingly low given the levels of value that such programs have been proven to deliver in terms of ROI. There were interesting differences across sectors with 90% of non-CPG saying they use such programs, versus only 54% of CPG organisations. With repeat purchase becoming increasingly important in eCommerce profitability and sustainability, the lack of emphasis and corresponding CRM skills in CPG organisations is something that many will need to address quickly if they are to succeed in eCommerce.

Considering eCommerce maturity, 79% of mature organisations utilise CRM programs vs just 36% of developing organisations, showing the level of scope for such businesses to develop a data strategy that can inform, and power tactics and comms focused on driving repeat purchase from existing consumers.

04

Barriers



- i. **Organisational & delivery**
- ii. **Integration & operating models**

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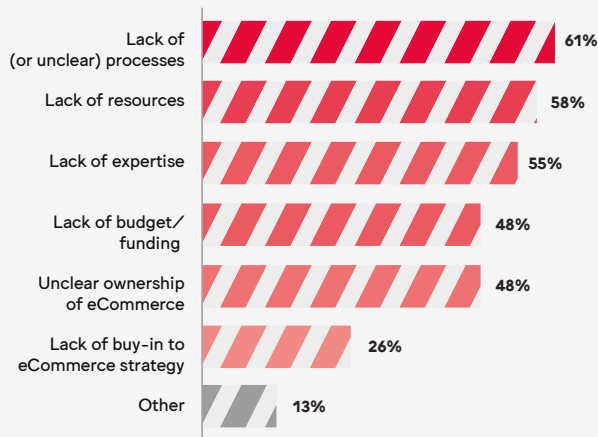
i. Organisational & delivery

eCommerce organisational challenges

When introducing an eCommerce offering, the key barriers that organisations first had to overcome were typically the need to create new or re-engineer existing processes and the lack of available resource (both resource levels and skillsets). These were compounded by a lack of funding and unclear ownership that created conflicts and led to false starts. Additionally, 36% of CPGs also had to overcome a lack of senior level buy-in (which was not a barrier to any non-CPGs).

Those in local roles were more likely to suffer from a lack of resource (71% v 47% in the centre), whilst those in global roles were more likely to cite ownership issues than their local colleagues – 59% v 36%.

Q. Thinking about when you first introduced your eCommerce offering, please indicate the organisational barriers you faced (if any).



eCommerce delivery challenges

Having set up the operation, organisations then must overcome operational barriers to deliver eCommerce successfully. Top amongst which are those related to distribution and pivoting the operating model from a wholesale/retail focus, to a direct to customer focus and the financial and logistical challenges presented by this change.

As is often reported, winning the last mile is critical to the commercial success of an eCommerce operation¹⁴. This is particularly true for organisations experiencing disintermediation for the first time as they grapple with implementing the infrastructure and resource to handle direct to consumer distribution, customer service handling and returns and the associated cost pressures in the face of lower price points demanded by online customers.

CPGs were also more challenged with overcoming the impact of eCommerce on their existing routes to market (distribution/wholesale and retail partners) with 77% mentioning challengers in these areas compared to only 40% of non-CPGs. This was also more of a challenge for those organisations for whom eCommerce was growing in importance (63% calling out 'relationships with existing retailers' as a barrier), than it was for organisations for whom eCommerce was already highly important (only 30% citing the 'relationship with existing retailers' as a barrier). This is perhaps less surprising given the continued reliance on existing routes to market for these organisations.

The other notable differences in ongoing delivery barriers are that CPGs face more challenge with margins (45% identifying it as a barrier, compared to 10% of non-CPGs), whilst non-CPGs struggled with the focus of their website (40% compared to 18% of CPGs).

Q. What are the main e-commerce delivery barriers?



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ii. Integration & operating models

Marketing & Sales must align to overcome Integrated Media Planning challenges

The one surprise barrier that was consistent across sectors and did not vary much with eCommerce maturity, was that of integrated media planning and buying, with more than 2 in 5 organisations experiencing challenges in this area.

This challenge tends to relate to structural issues around the responsibility for eCommerce and performance marketing budgets. We would recommend that organisations ensure they have clear business rules and governance in place to ensure media planning and buying is co-ordinated to deliver the varied needs of all routes to market.

Overcoming siloed eCommerce operating models rather than technology is the bigger challenge

Organisational challenges associated with eCommerce being operated from within a silo are seen throughout this research. Only 6% of organisations have successfully integrated their online and offline channels to deliver 'channel-less commerce' where shoppers can move between online and traditional channels seamlessly.

68% of respondents have a common technology stack, enabling an omni-channel experience. So, the issue here is less a technology barrier than it is related to structure and culture. Indeed – 48% of respondents identify a lack of clear ownership and 61% claim lack of processes as barriers to their eCommerce implementation.

Summary & Recommendations:

Strategy & Structure

- Understand to what extent your operating model is integrating online and offline marketing efforts and consider if changes need to be made to structure, resourcing and role sort/s.
- Consider if a dedicated capability build program is required to boost understanding and deployment of your eCommerce strategy.
- Revisit econometric models to clearly define the most effective/appropriate allocation of media spend across brand building and performance (sales focused) marketing.
- Ensure your data strategy is updated to reflect the data collection, insight development and usage opportunities afforded from your eCommerce strategy and activities.
- Make sure shopper and marketing data is aggregated and consolidated into one asset.
- Undertake a maturity assessment (e.g. Schema) to clarify the depth and breadth of organisational barriers that could impact eCommerce success.

Commerciality (Incl. Measurement)

- Define and calculate the actual impact on overall profitability of eCommerce activity (including agreeing a financial value with Finance function for less tangible benefits).

- Align definition of cost metrics to strategy, particularly around the treatment of set-up costs and cross-functional operating costs.
- Identify margin improvement opportunities and develop plans to deliver against them.

Channels & Execution (Go-to-market strategies)

- Review existing Search Engine Marketing (SEM) strategies for inclusion of eCommerce objectives and ensure retailer/marketplace search is a core part of the overall SEM strategy.
- Develop a comprehensive managed test plan to clarify the efficacy of all shoppable media tactics.
- Audit existing eCommerce performance across channels and capabilities (retail readiness, share of shelf, competition insights, media performance etc.) to assess gaps and opportunities.
- Define shopper journeys across brands/categories to identify the appropriate range of activation tactics required to meet business objectives.
- Develop a joint Marketing & Sales Working Group to ensure clear Joint Business Plans (JBPs) are created with all relevant retail and wholesale partners.
- Ascertain the appropriate role for the Amazon channel and develop a best practice partnership plan utilising all relevant elements of the platform.

- Undertake an audit to identify the potential of all relevant online marketplaces and create a clear JBP with the highest priority online marketplace partners.
- Clarify the role and value of the D2C channel.
- Develop a comprehensive social commerce strategy as part of your overall eCommerce strategy and as part of JBP's with key social platform partners.

Barriers

- Before starting, organisations need to ensure leadership are aligned on the objectives and that funding is in place, along with sufficient resources (with the right skill-sets), to address the key processes that must be re-engineered.
- In setting up eCommerce operations, organisations must clearly define the role of eCommerce alongside existing routes to market, with particular focus on the implications on distribution, finances and logistics presented by an online sales model.
- Organisations needs to take care they don't create an eCommerce silo that competes and conflicts with other existing parts of the organisation.

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To find out more go to <https://www.dentsu.com/schema>

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