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Winning at the Digital Shelf with Different Online Retail Models

Keith Anderson

SVP, Strategy & Insights

Profitero

Richard Gentner

eCommerce Manager

General Mills

Agenda

1. How brands can define and measure success at the digital shelf

2. How to approach distinct online retail formats

3. What's on the horizon for online grocery and CPG retailing

What is "Ecommerce"?

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Online Grocery & CPG in Context

	2000	2015	2025
	"The next big thing"	"It's been tried – it won't work"	"Why didn't we see this coming?"
	Peapod.com, webvan, kozmo.com, pets.com	Instacart, PrimeNow, Walmart Grocery, Google Express, Peapod, amazon fresh, Boxed, ClickList	UBER, amazon alexa, STARSHIP, oculus, amazon dash Replenishment
Broadband at home	6%	67%	90%+
Smartphone penetration	0%	68%	90%+
Millennial Spending Power	N/A	$3.8 Trillion	$8.3 Trillion
Efficiency drivers	• Warerooms • Unattended delivery • Route planning	• Warehouse automation • 1099 contracting • Click & collect	• Delivery automation • Electric vehicles

Better Performance Through eCommerce Analytics

First, Define Success

Define Success Criteria

Hard Objectives
- Incrementality
- Growth
- Share
- Profit

Soft Objectives
- Brand equity
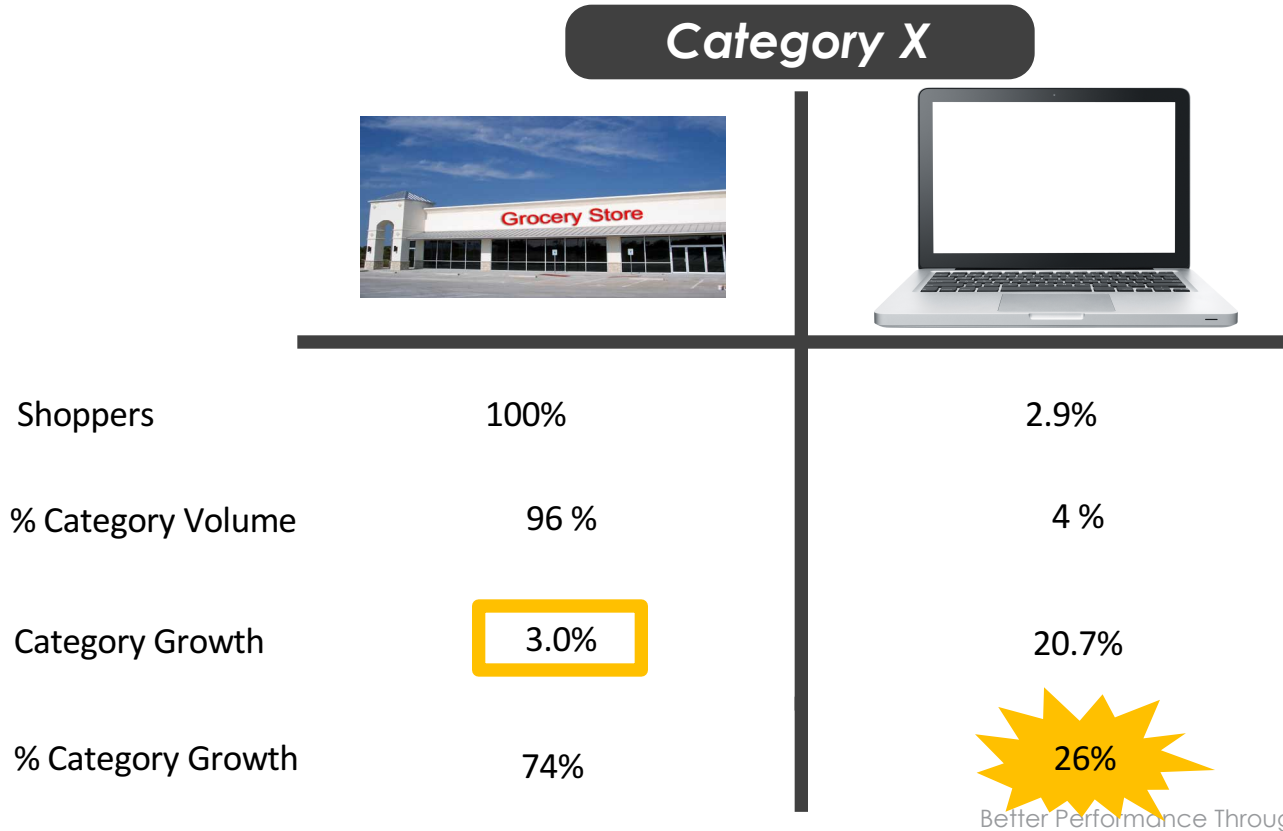- Offline influence
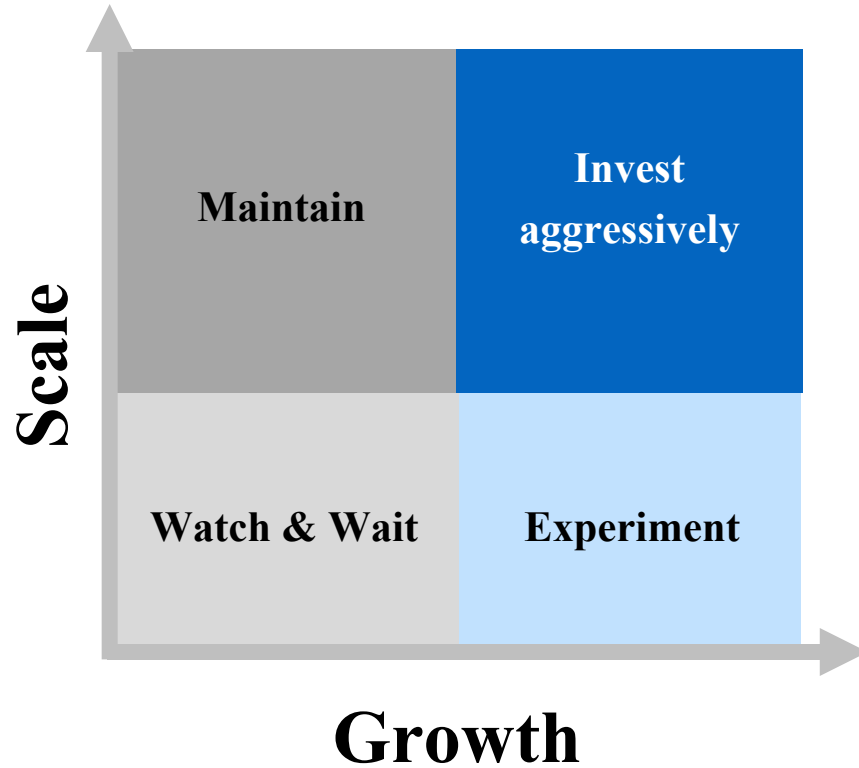- Brand advocacy
- Retailer/Supplier Relationship

Recognize Upside Opportunity & Downside Risks of Doing Nothing

- eCommerce is not guaranteed to be incremental
- But brands on offense will grow exponentially, increasing their category share
- Even if shoppers do not buy online, they may be influenced to buy at brick-and-mortar

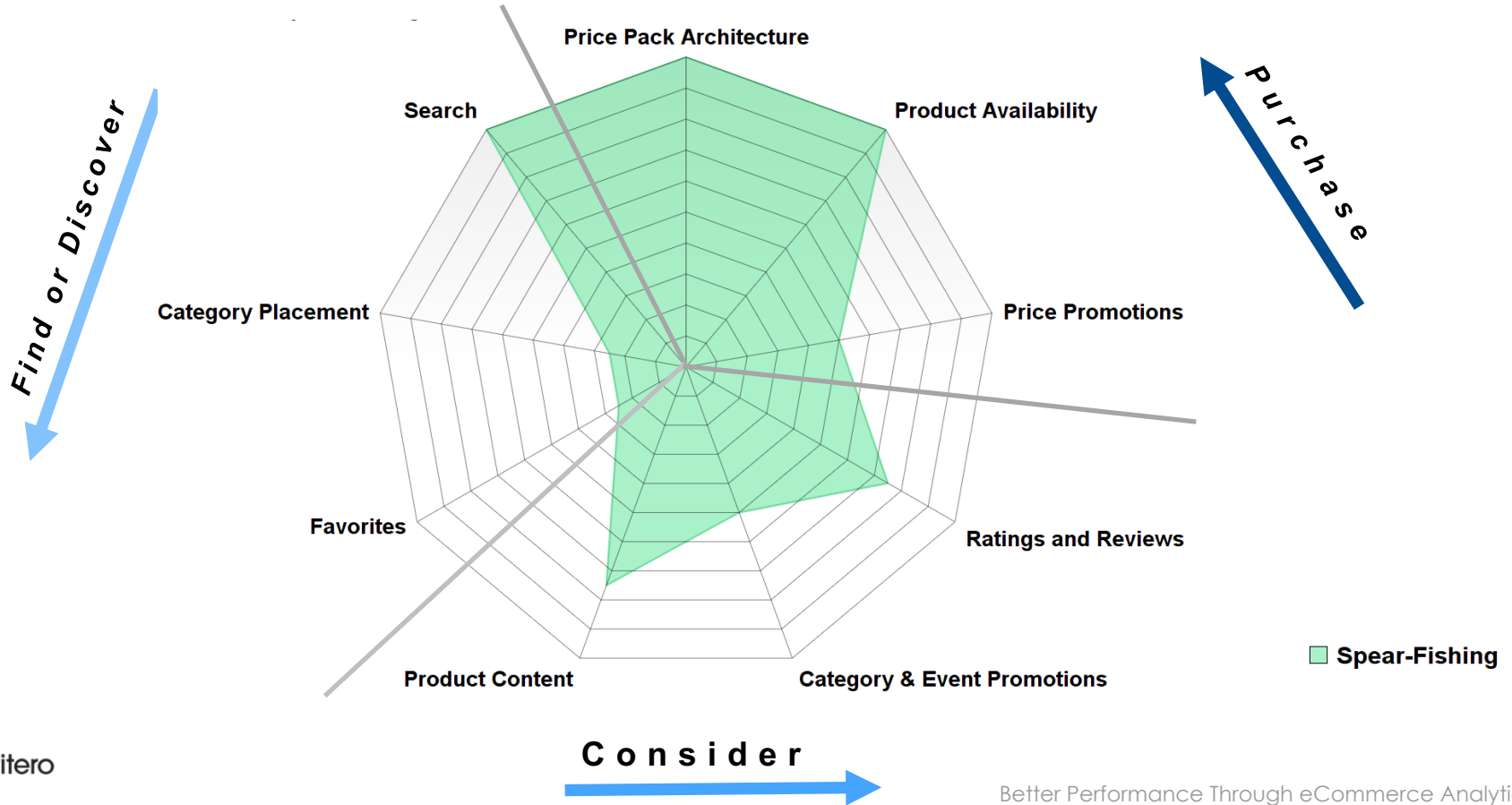**Profitero**

Ecommerce Is Driving Growth for Retailers

Category X

	Grocery Store	Laptop
Shoppers	100%	2.9%
% Category Volume	96 %	4 %
Category Growth	3.0%	20.7%
% Category Growth	74%	26%

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Better Performance Through eCommerce Analytics

Identify Potential Winners

Understand Each Model's Points of Leverage

Find or Discover

Consider

Purchase

Evaluate and Share

Shoppers search for a product or browse category pages

Shoppers navigate search results & category ranking pages

Shoppers decide whether to purchase a given product

Shoppers review products and share photos and experiences

→ *Search, Category Rankings, Favorites, Event/Seasonal*

→ *Product Content, Ratings & Reviews, Promotions, Pricing*

→ *Product Content, Promotions, Product Availability, Ratings & Reviews*

→ *Ratings & Reviews, Social*

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Three Distinct Online "Formats"

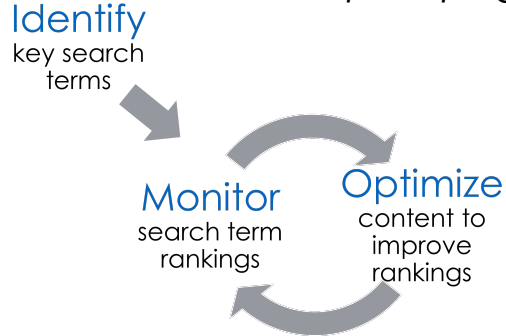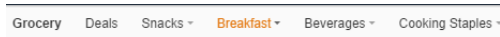|	Spearfishing	Boxes	Baskets
Assortment Size	Millions of SKUs ("endless aisles")	4,000 – 15,000 SKUs	15,000 – 40,000 SKUs
Availability	National	National	Local
Average Order Size	1-2 items	10 items	20-40 items
Temperature State	Shelf-stable only	Shelf-stable only	Shelf-stable Chilled, frozen

Spear-Fishing

Find or Discover

Purchase

Consider

- Price Pack Architecture
- Product Availability
- Price Promotions
- Ratings and Reviews
- Category & Event Promotions
- Product Content
- Favorites
- Category Placement
- Search

☐ Spear-Fishing

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Be findable

Search

- *44 percent of US online shoppers start their searches with Amazon[1]*
- *Just 30% of searchers click past page 1[2]*

Identify
key search terms

Optimize
content to improve rankings

Monitor
search term rankings

Category Placement

Grocery | Deals | Snacks | **Breakfast** | Beverages | Cooking Staples

Monitor, optimize category placement and rankings

[1]http://www.geekwire.com/2015/amazon-dominates-the-online-shopping-world-survey-shows/
[2]https://blog.compete.com/2014/11/17/brands-searching-success-amazon

The factors impacting search results

Relevance
Product Title (Keywords)
Product Description Text Categorization

Popularity
Ratings & Reviews
Sales (online)
Sales (offline)

Logistics
Stock Availability
Seller fulfillment & ratings (for marketplaces)

Price-Pack Architecture Can Impact Unit Economics, Profitability

	Product Innovation	Form	Packaging	Pack Type	Pack Size	Pack Count
Full-Basket				X	X	X
Boxes	X	X	X	X	X	X
Spear-Fishing	X	X	X	X	X	X

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Boxes

Price Pack Architecture
Product Availability
Search
Price Promotions
Category Placement
Ratings and Reviews
Favorites
Product Content
Category & Event Promotions

Find or Discover

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Box

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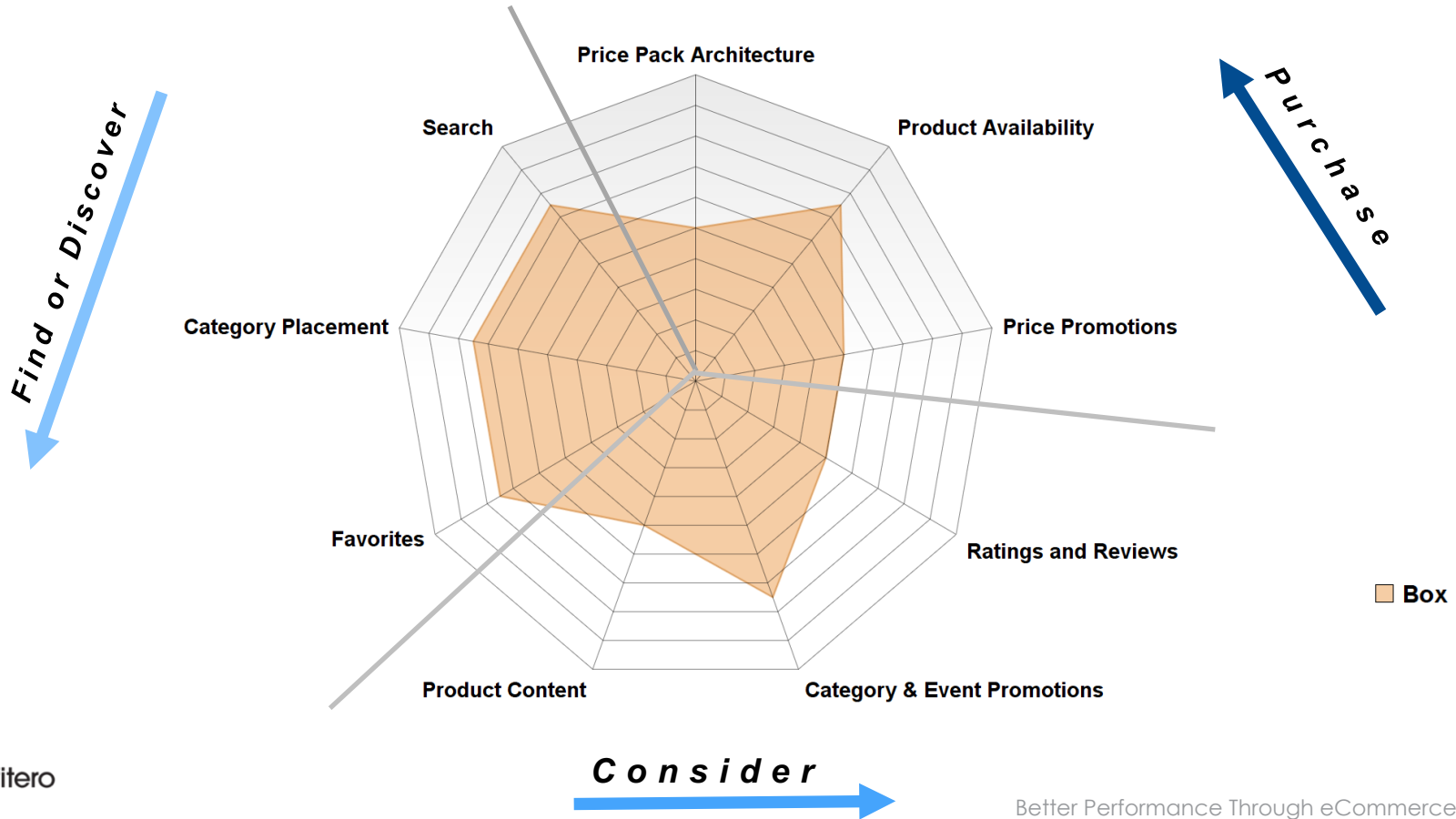
Content Drives Findability *and* Conversion

Monitor

Product Titles

LUNA BAR - Gluten Free Bar - Peanut Butter Dark Chocolate Chunk - (1.48 Ounce Snack Bar, 12 Count)

Images & Videos

Description & Enhanced

Ingredients & Nutrition

Nutrition Facts	
Serving Size	100 ml
Energy (kJ)	180 kJ

Improve

- Search keywords, product name and variant, unit size, pack size, pack count, product form

- Increase image # with retailer-specific benchmarks
- Improve image quality
- Add video to key pages

- Benchmark to category best sellers
- Add enhanced/A+ content for key products

- Identify & improve problem products and retailers

Impact

- Search Rankings (2-3x page views)
- Category Ranking (2-3x page views)

- Search Rankings (2-3x page views)
- Conversion (+5-20%)
- Brand Image
- Conversion (+5-20%)
- Brand Image

- Conversion
- Regulation compliance

The Out-of-Stock Experience

Source: FMI-GMA (2015)

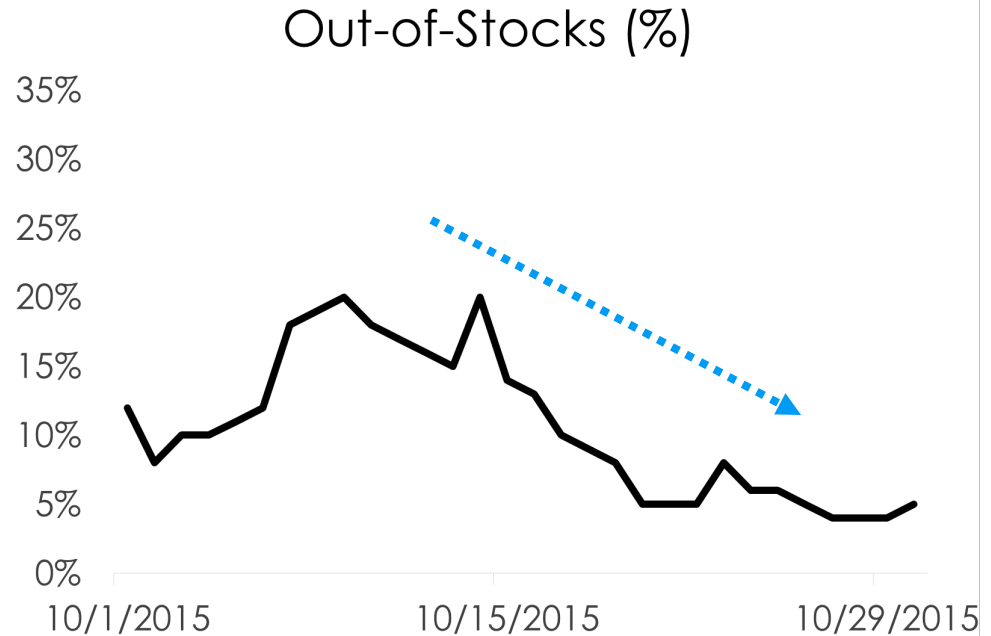**1st time** — *70% of shoppers substitute a different product*

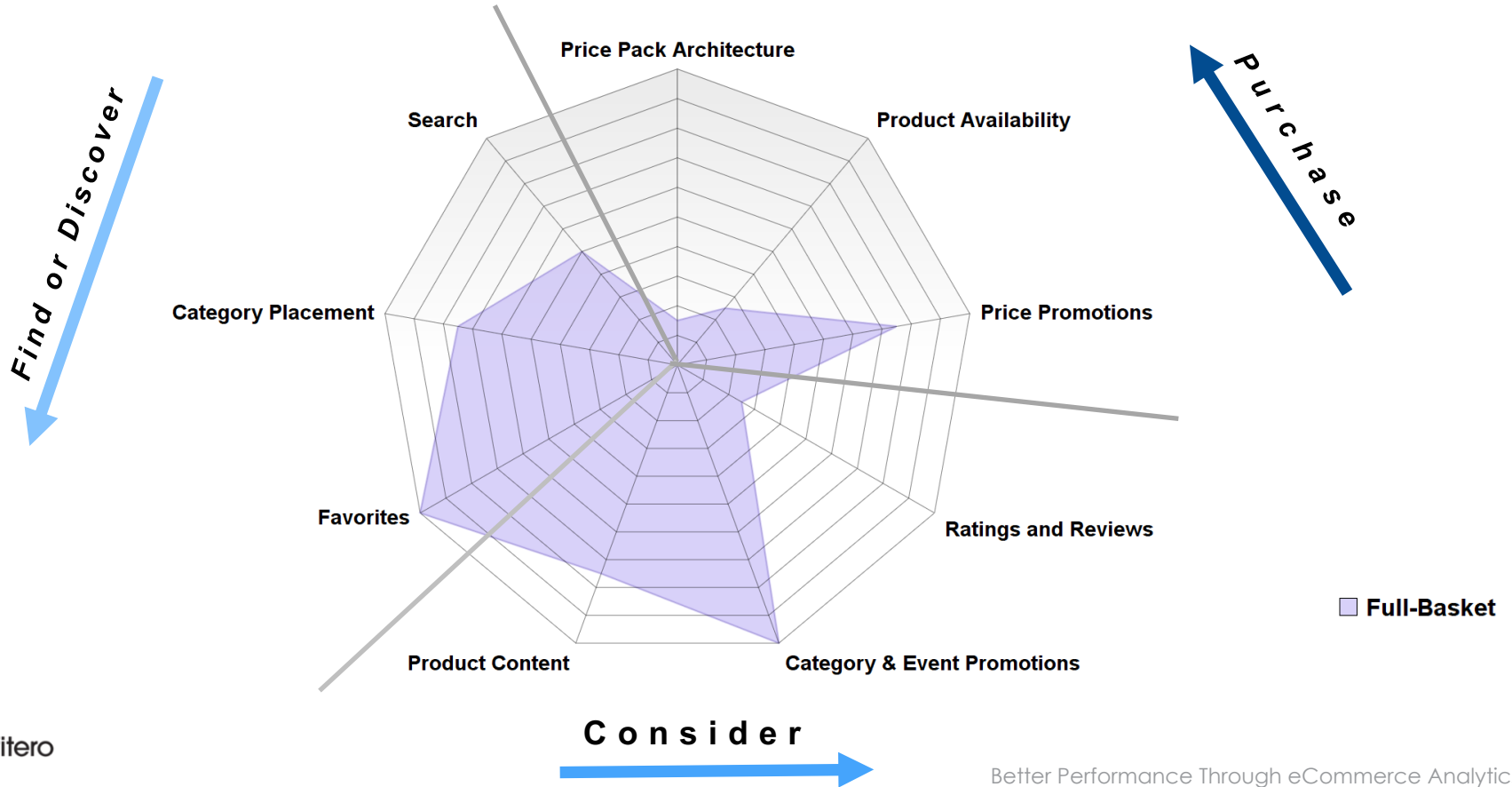**2nd time** — *Similar shares of shoppers substitute, buy nothing, or shop elsewhere*

3rd time — *70% of shoppers switch stores*

Be available

Out-of-Stocks (%)

Profitero sample stock availability data

Full-Basket

Price Pack Architecture

Product Availability

Search

Price Promotions

Category Placement

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□ **Full-Basket**

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Marketing & Promotions That Work in Full Basket

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Spear-Fishing
Box
Full-Basket

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Seeing What's Next – Where Will Change Emerge?

Innovation

Demand Chain

Branding	Targeting/personalization; celebrity endorsement; demand responsiveness
Traffic/Attention	VR/AR; chatbots / messaging; voice
Marketplaces	P2P, B2B, niche
Lock-In	Membership; auto-replenishment; DRM; network effects
Transaction	AI; buy buttons; social commerce; shoppable media

Supply Chain

Logistics	Electric vehicles; ground- and air-based drones; captive fleets
Storage	Robotics & automation
Manufacturing	3D printing; miniaturization

Winning at the Digital Shelf

First, define success

Understand why & how shoppers shop formats distinctly

Study what drives each format's results

Identify points of leverage

Measure what you intend to manage

Continuously improve

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Questions? Thank You!

Keith Anderson
SVP, Strategy & Insights
Profitero

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General Mills