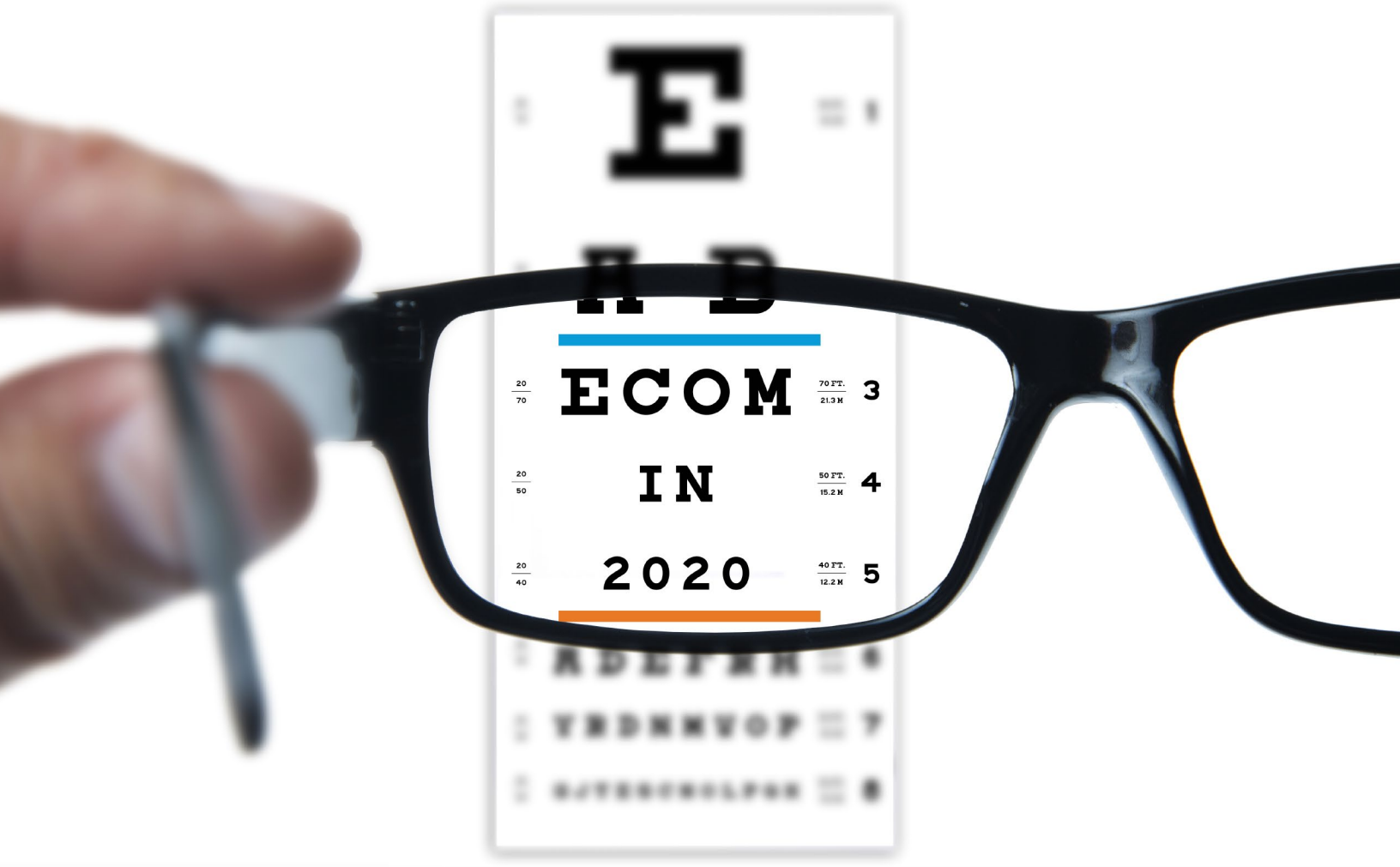


20/20 E-Commerce Vision for the Year 2020

20 FORCES SHAPING THE ONLINE SHOPPING INDUSTRY IN THE YEAR AHEAD



INTRODUCTION

Remember when the phone was something you used to make calls — or when Google was used solely for search? Facebook was still a way to connect with long-lost friends, eBay served as the platform for auctioning off old stuff and Amazon was just an online bookstore.

Had the experts predicted back then that these entrepreneurial ideas would someday lead to the extinction of malls and transformation of brick-and-mortar behemoths, brands and retailers may have brushed off those predictions as implausible nonsense.

Yet here we are 20 years later, and these forces have completely changed how, when and where we shop. **Online shopping has officially exceeded** in-store sales, and **e-commerce experienced its biggest surge** in nearly eight years. Innovations in mobile, social and search alone have propelled e-commerce further and faster than virtually every other industry in this century.



What's next for e-commerce is anyone's guess, but one forecast is foolproof:

The industry will continue to stay in a constant state of evolution.

After all, e-commerce still makes up just **14% of all retail sales**. That means there's a lot more revenue to come. Any brand or retailer that wants to survive and thrive in this ever-changing landscape needs to be ready to pivot at a moment's notice. At ChannelAdvisor, we've seen brands and retailers generate millions of additional dollars in revenue after fine-tuning strategies based on the latest trends.

Those that fail to adapt, on the other hand, risk **bankruptcy**, **store closures** and **backlash from investors**.

Now more than ever, sellers will need to stay future-focused as the e-commerce evolution continues.

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CONTINUING FORCES OF CHANGE

Leveraging the reach of Amazon, Google and Facebook has never been so promising — or so competitive. These three giants have each played a central role in shaping the e-commerce industry as we know it. And for years, they tended to stay in their own lanes. But as the major players enter 2020 on a collision course of competition, there are bound to be implications for brands and retailers.



THE ASCENDANCY OF AMAZON

Once known solely as a marketplace, Amazon is now the **third-largest advertiser** in the US. As it inches further into the folds of the Google-Facebook duopoly, Amazon's digital marketing prominence is yet another reminder of the role the platform plays in every online seller's strategy.

The industry giant's dominance to date has been driven largely by innovation and investments — a trend that's now expanding to additional corners of e-commerce. From **drone deliveries** to an **expanding air fleet** to an **enormous network of delivery vans**, Amazon is no longer challenging the stalwarts of sales and advertising alone. The company is making more and more moves to **take on long-standing carriers** such as UPS, FedEx and USPS.

At a time when most sellers are still struggling to meet consumer expectations for same-day deliveries and no-cost shipping, yet another round of fulfillment complexities is further reshaping how and when consumers expect to interact with sellers.



THE GROWING GOOGLE ECOSYSTEM

The latest developments from Amazon aren't just transforming how brands and retailers approach e-commerce. They're pushing Google closer to the edge of e-commerce innovation, too.

Ever since Shopping Actions first offered a way to surface products across the entire Google ecosystem — Google Search, Google Shopping and the Google Assistant — the search engine has become remarkably good at showing consumers who has the best product at the best price, and where it's in stock. But here again, the evolution is far from over.

Heading into 2020, a series of strategic steps will continue to inch consumers further away from "I found it on Google" toward "I bought it on Google."

As shoppers become increasingly comfortable purchasing products through one seamless "add to cart" Google experience, sellers will need to take note. While the reduced friction for consumers is arguably a positive transition, it means fewer visits to actual brand and retailer sites themselves. Also, if Google continues to surface more purchasable products on its search results page, there will be even less screen space for brands not participating in the Shopping Actions program.

THE FORWARD MOMENTUM OF FACEBOOK

As Amazon and Google compete for bigger and better shares of swelling e-commerce sales, another industry force has been quietly creeping closer to capturing its own slice of that revenue pie. After growing its global base to a massive **2.45 billion active users** and cornering the social media market, Facebook has clearly embraced e-commerce as its next phase of growth.

From dynamic ads to shoppable stories, Facebook has been giving online sellers an expanding array of options for getting the right products in front of the right people. And while the growth of e-commerce advertising on Facebook may be more of a steady incline than a sudden surge, its impacts are notable.

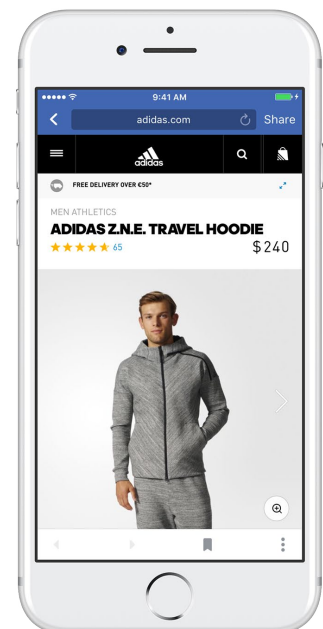
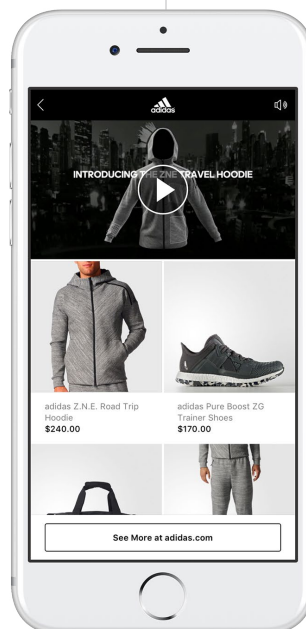
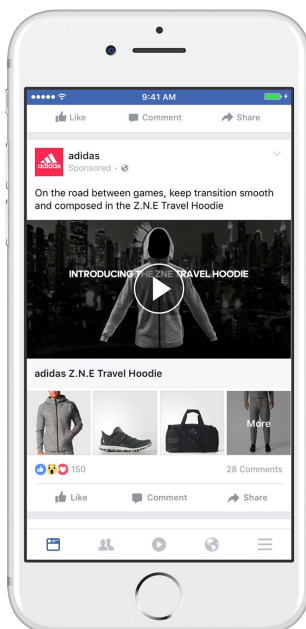
More than half of surveyed consumers now make online purchases in response to Facebook ads. As consumers continue to adopt new options such as Facebook Pay, that number is bound to rise.

THE INCREASING INFLUENCE OF INSTAGRAM

Facebook's influence isn't contained within the sphere of Facebook feeds alone, of course. Much of its real power moving forward will be in subsidiary Instagram, the once-fledgling company **acquired for a mere \$1 billion** back in 2012. Fast forward to 2020, and the photo-sharing social site is now one of the top drivers of change among e-commerce companies.

Widely regarded as the most effective social platform for brands and retailers, Instagram's shoppable posts are now used by an **estimated 78% of sellers**. In 2020, those posts will likely give way to increased adoption of **Checkout on Instagram** — a new option that lets consumers purchase products instantly, right from within the social media app itself.

With more than 130 million people interacting with shoppable posts each month, Checkout on Instagram is expected to be yet another game-changer for the industry.



BEYOND AMAZON, GOOGLE AND FACEBOOK: THE GROWING WEB OF GLOBAL MARKETPLACES

A few years ago, sellers had a handful of online sales channels to choose from. Then came the explosion of e-commerce marketplaces, and the options available to consumers suddenly expanded far beyond the likes of Amazon, eBay and Walmart. Online shoppers now have well over 100 channels to choose from — and that number will continue to grow globally.

It's little wonder, then, that 80% of retailers worldwide agree that **cross-border trade has been profitable** — or that sellers have successfully increased sales as much as **1,000%** after expanding their marketplace presence.

However, to survive and thrive in this expanding environment, there's one method in particular that brands and retailers will need to have in place. And thankfully, it mirrors where the industry is heading.

The sheer volume of options means it's no longer enough to focus on listing across as many marketplaces as possible — at least, not all in one fell swoop. Instead, brands and retailers are discovering the importance of focusing first on identifying the best match between marketplaces and product catalogs. The platforms themselves recognize this trend, and are starting to become more specialized.

Target addicts now have **Target+**, while fashion-focused consumers can spend time on sites like Bluefly and Farfetch. Some marketplaces are dedicated to deals; others appeal to high-spenders' desires for exclusivity. And still more are becoming laser-focused on specific categories such as automotive products or interior design and decorating. Even **Pinterest has created a marketplace** to feature hand-picked products from small and emerging sellers.

As niche marketplaces continue to emerge, sellers will need to fine-tune expansion strategies for reaching the right consumers based on where, when and how they want to shop.



UNFOLDING TRENDS OF INFLUENCE

As major players continue to transform what it means to get products in front of purchase-ready shoppers, brands and retailers will need to sharpen their view of several critical trends as they continue to unfold.



FRICTION-FREE COMMERCE

Mobile commerce, social commerce, conversational commerce, voice-assisted shopping, augmented reality... these and other trends have been at the forefront of sellers' strategies for years. And now, they're emerging into one overarching reality: Friction-free commerce is here to stay.

With 83% of consumers already **relying on conversational commerce** to learn about products and **two-thirds turning to smartphones** even when they're inside stores, the implications are clear. The entire shopping experience will need to become continually easier and more effortless as consumers become increasingly accustomed to making purchases that are fast and furious, without roadblocks or delays.



THE RISE OF SUBSCRIPTION SERVICES

Amidst the increasing complexity of e-commerce channels, brands and retailers have discovered a new method for remaining relevant — one that appeals to consumers' innate desires for ease and convenience. Rather than simply expanding to additional channels, they're turning to subscription-style buying that removes the mystery from price-comparing and puts repeat purchases on autopilot.

Nearly a decade after the first subscription-based boxes delivered personalized styling items to doorsteps, this segment has **ballooned to 3,500 different choices** for everything from pet products to books. Subscription options grew by 40% in a single year, and there are now more than 150 options on Amazon alone. By 2023, **75% of direct-to-consumer sellers** will be offering subscription boxes as a way to tap into the power of personalization. As subscription services continue to swell, so will their influence on consumer expectations for ease, convenience and personalization.



ONE-HANDED COMMERCE

As the industry inches ever closer to more friction-free experiences in 2020, consumers will start to see more of their needs met within the same single mobile apps. With **96% of smartphone time** already spent using just ten apps, it may be hard to imagine the mobile commerce experience being consolidated even further. Yet that's exactly where things are headed. Universal shopping carts and "tap to buy" buttons will free shoppers to make fast buying decisions while navigating shopping apps with one hand. Google Shopping, Facebook Marketplace and Checkout on Instagram are already accelerating this trend, and additional advancements will no doubt follow.



DIRECT-TO-CONSUMER SELLING

It's already a well-known fact that today's empowered consumers want to buy directly from their favorite brands. As early as 2017, more than half were **purchasing products from manufacturers** when given the option. And while that was the same year Nike initially made waves by agreeing to sell on Amazon, the watershed moment was short-lived. The behemoth brand was **pulling its products from the platform** within two years, stirring up longstanding concerns about unauthorized sellers and **brand registry battles to protect products** from erosion.

Moving into 2020, direct-to-consumer selling will remain a highly influential trend worth watching. Either consumers will continue to shift their buying back to brand apps and websites, or the pull of friction-free and one-handed commerce will drive them further into the folds of evolving marketplaces and online retail platforms.



SHIFTING DEMOGRAPHICS

As ease and convenience permeate bigger shares of the e-commerce environment, sellers will need to pay attention to not just how purchases are made but who they're going to. While just **six in ten baby boomers** buy products online, the proportions get significantly higher with each concurrent generation. And those who have never known a world without the internet and mobile apps are increasing both their purchasing power and their influence over unfolding trends. When choosing between sellers, for example, **six in ten Gen Z consumers** will opt for the one that offers buy online pickup in-store (BOPIS) options. An estimated 32% **trust social media ads** for recommendations when shopping, as do 35% of millennials. These and other preferences will no doubt reshape which marketing, selling and fulfillment strategies are effective moving forward.



FULFILLMENT OF THE FUTURE

Fast, free shipping is officially old news. Moving forward, the new norm will be automated home deliveries, BOPIS and other omnichannel, data-fueled options for fulfilling orders far faster than the time it takes to wait in line or scroll through sites.

ESSENTIAL STRATEGIES, TOOLS AND TECHNOLOGY

Brands and retailers that invest in the right technology are the ones that will survive. And getting 20/20 vision for the year ahead will require several key strategies.

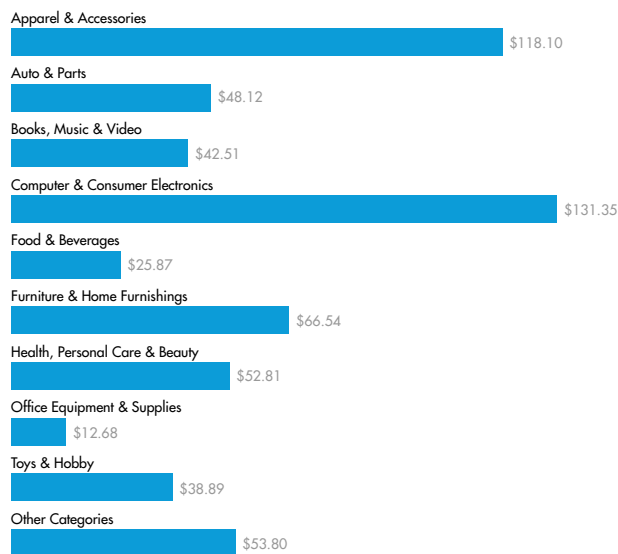


BENCHMARKING

Which categories are growing the fastest, and how do those trends compare to the industry at large? Are products performing as well as they could be, or are average order value and spend per visit trending low? Now more than ever, **e-commerce companies need to be asking these kinds of questions**. By matching internal growth metrics to those of competitors and marketplaces, it will become easier to identify where to focus efforts for future growth.

RETAIL ECOMMERCE SALES, BY PRODUCT CATEGORY

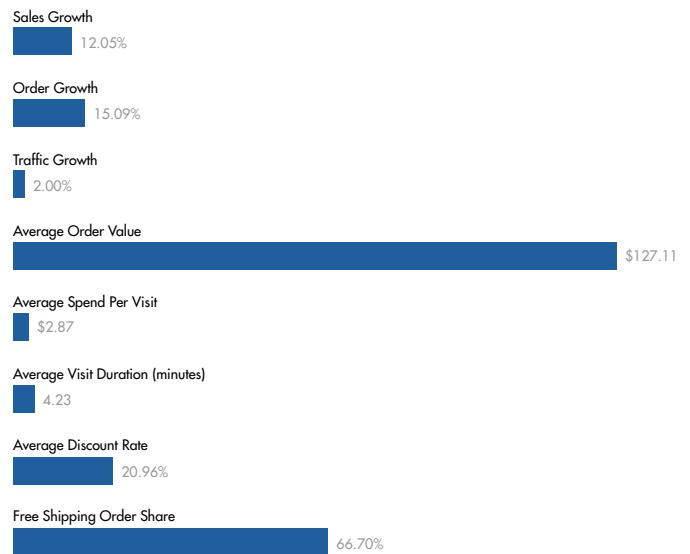
US, 2019, Billions



Source: eMarketer, October 2019

RETAIL ECOMMERCE PERFORMANCE METRICS

Worldwide, Q1 2019



Source: Salesforce Commerce Cloud (formerly Demandware), May 2019



MEASURING

What new measurements and KPIs will companies need to watch as the landscape continues to evolve? For years, brands and retailers have treated advertising and transactional teams as two separate units. Moving forward, this siloed approach will no longer work. Optimizing in a world where advertising reigns on Amazon and transactions can happen on Google will require new ways of thinking. Whether it's internal departments or external agencies and partners, uniting these divisions will be essential. Together, they'll determine which metrics to measure and what processes to change.



PERSONALIZATION

Consumer convenience is fast becoming the competitive differentiator, which means success will hinge on a company's ability to analyze its full range of data and create more personalized experiences. Yet despite its critical importance, data-led consumer customizations remain over-promised and under-delivered. To overcome this challenge, brands and retailers will need to work together to **improve the flow of product and consumer data** and put it to work.



INTELLIGENT PRICING

Competitive pricing is one of the most important differentiators when it comes to landing sales. But rather than approaching pricing as a delicate balance between peak seasons and promotions, sellers need to be prepared to take a more data-driven approach. For a product catalog to stand out on Google, Amazon, Facebook and Instagram — not to mention the fast-growing array of global marketplaces — sellers will need to **move away from the outdated software-and-spreadsheet mix** to embrace dynamic solutions. The more a product price can be automatically adjusted to match sales velocity and the current competitive climate, the better positioned each listing will be across channels.



WHERE TO BUY

In just two years, “near me” mobile searches containing a variant of “can I buy” or “to buy” grew over **500%**. Whether consumers start spending even more time on brand sites or want to know which retailers carry desired items, the implications are the same: Telling consumers not just how to find products but also **where to buy them** will be key to reducing friction. As one-handed commerce continues to take hold, shoppers will be even less inclined to spend time searching for that information themselves.





OPTIMIZED ADVERTISING

If there's one certainty that won't change in 2020, it's this: Consumers will continue to drive where, when and how product discoveries are made. As shoppers drive further down the path of "always on" browsing and buying, sellers will need to fine-tune advertising strategies to make sure they're laser focused on getting the right products in front of the right people — at all the right times. Whether it's **optimizing product data feeds** or conducting an **in-depth advertising audit**, finding the right mix of paid search, social media and marketplace advertising will be more essential than ever.



FULFILLMENT AUTOMATION

At a time when fast, free shipping has given way to instantaneous and data-driven deliveries, sellers will need to rethink the ways they fulfill. Few, if any, sellers will be able to take on the speed of automated drones and Amazon air fleets without experiencing deep cuts to profits. To remain relevant in this new landscape, brands and retailers will need to think beyond the basics of carrier diversification. Sellers that have not previously **partnered with a third-party logistics provider** or experimented with **automated order routing** will need to start taking steps in these directions.



STREAMLINED DATA FEEDS

Having high-quality product data will remain central to every strategy and expansion, across all e-commerce channels. From creating strong titles and descriptions to **ensuring feeds are destination compliant**, having the right product data in place impacts virtually every aspect of e-commerce success. As complexity within the industry increases further, it will become even more important to centralize inventory management, digital marketing and more through optimized data feeds.



SOLVING FOR COMPLEXITY

Today's consumers are constantly evolving. They are more tech-savvy, more informed and more demanding than ever before. And, as we've seen, the e-commerce industry is in a constant state of evolution to meet the needs of these consumers. So where does that leave brands and retailers? Many sellers are forced to expand and evolve their strategies across dozens of e-commerce channels. Meanwhile, their internal teams (IT, sales, manufacturing, marketing, operations, etc.) are bogged down processing more product and customer data than ever before — while also operating with unique (and siloed) KPIs and objectives.

As a result, today's brands and retailers seek:

➤ **Operation Agility**

To manage all selling, marketing, and fulfillment efforts in a single, unified, centralized platform — aligning internal teams and eliminating the need for wasteful internal processes.

➤ **Ease of Expansion**

To meet consumer demand by easily expanding to net new channels without having to expend IT and development resources trying to keep up with compliance.

➤ **Optimization**

Connecting to new channels is just one part of the equation: Sellers need cutting-edge technology to rise above the competition once you're there.

➤ **A Trusted and Proven Solution**

Because niche solutions come and go. Brands and retailers need to know their partners are tested and proven and will be able to scale with their business.

That's why the world's largest brands turn to ChannelAdvisor — the industry's most trusted ecommerce solution that helps brands and retailers solve their digital marketing, direct-to-consumer, marketplace, first-party retail and fulfillment needs — all in a single, centralized platform.

Connect and optimize the world's commerce

ChannelAdvisor is a leading provider of cloud-based e-commerce solutions that enable retailers and branded manufacturers to integrate, manage and optimize their merchandise sales across hundreds of online channels including Amazon, Google, eBay, Walmart, Facebook and more.



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