E-commerce and the future of effectiveness

A new set of e-commerce tools for the new normal rules
The COVID-19 pandemic and subsequent country lockdowns have accelerated the growth of e-commerce, globally.

Advertising investment has shifted into shoppable and e-commerce formats, and many companies have had to develop their e-commerce strategies on the fly, breaking down previous silos to drive growth.

This is driving growth of the big platforms. But many brands are also going direct-to-consumer, gaining access to all-important first-party data, and the chance to drive repeat purchase.

Omnichannel retailers are expanding their online offer, becoming advertising platforms in their own right, creating more options for brands.

Effective marketing in the age of e-commerce may mean new thinking in terms of some of the 'basics' – like packaging and pricing. It may mean new media choices, and new internal organisations.

But it is also clear that brand remains key in online retail. In an age of almost limitless choice, brand recognition and trust translates into pricing power. Creative brand-building, therefore, remains key.

1. The acceleration of e-commerce
   COVID-19 has accelerated e-commerce growth globally

2. Marketing goes back to basics
   E-commerce is prompting a rethink of the fundamentals, including 'digital availability'

3. The shift to shoppable media
   Shoppable formats promise a more seamless sales funnel

4. The dangers of short-termism
   Why brand investment matters for online success

5. The rise of livestreaming
   Successful in China, will it attract Western consumers?
Takeaways

1: E-commerce growth has accelerated globally, with FMCG and other grocery brands having to react fast. Brands have an array of channels to sell through, from omnichannel retailers, to online marketplaces, to social commerce operations. Some are going down a direct-to-consumer route to guarantee access to customer data.

2: Brands shifting into e-commerce should review the fundamentals of product, packaging and price points. This makes the rise of e-commerce a ‘back to basics’ moment for many marketers.

3: Delivery is an opportunity for creativity and brand experience. Unboxing is now a second ‘moment of truth’.

4: Brands need to plan for digital (as well as mental and physical) availability. This means ‘showing up’ in the right environments, and identifying factors like ‘social proof’ that can sway consumers, a growing challenge is to break into online shopping lists.

5: Customer lifetime value is a key concept for online brands with access to first-party data. This will influence the way brands plan investment.

6: The shift to e-commerce is transforming performance marketing, with e-commerce players turning themselves into search and ‘shoppable’ becoming a key digital ad trend.

7: There is a risk that these changes accelerate the rise of short-termism. But brand-building remains key. Strong brands justify a price premium in online marketplaces.

8: China’s livestreaming boom shows where e-commerce marketing may be heading next. Brands in other markets should assess the pros and cons now.

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Eight ways to stay effective in the shift to e-commerce

1. Assess your brand’s activity across all four Ps
   - The rise of online retail is forcing marketers ‘back to basics’

2. Review pack sizes and multi-buy options
   - Pricing and profitability are key considerations

3. Focus on the ‘second moment of truth’
   - Delivery and unboxing are opportunities for creativity

4. Make first-party data an objective
   - Direct-to-consumer models can help build direct relationships with shoppers

5. Balance mental, physical and digital availability
   - Show up in the right places and look to build ‘social proof’

6. Go ‘shoppable’ in performance marketing
   - When appropriate, point people directly to a sale

7. Break down silos and rethink budgets
   - E-commerce and marketing media budgets must work together

8. Balance your spend
   - Maintain a balanced approach to long vs. short-term marketing investment – this still matters
E-commerce and the future of effectiveness

1. The acceleration of e-commerce
The COVID-19 pandemic has accelerated e-commerce growth globally, and this trend shows no sign of abating. Brands in sectors such as FMCG are seeing rapid increases in online orders. They have a growing range of options to sell through. Marketplaces such as Amazon and Alibaba have seen exceptional growth, omnichannel retailers like Walmart and Target are expanding their online offering and platforms like Shopify and Instacart have risen in prominence.

Brands that currently don’t sell direct-to-consumer can partner with a combination of traditional omnichannel retailers, major online marketplaces and pure-play operators to drive e-commerce growth.
The e-commerce boom

The COVID-19 pandemic, and subsequent increase in online shopping has prompted a 10 year growth spurt in an eight week period.

In the last ten years, e-commerce as a share of total U.S retail sales increased more than 10 percentage points. During the height of the pandemic, it increased 11 percentage points.

In China, Edge by Ascential, WARC’s sister company, expects e-commerce to grow 34% in 2020, up from the pre-COVID-19 forecast growth of 26.1%.

SOURCE: Bank of America, US Department of Commerce, ShawSpring Research
The e-commerce wars intensify in 2020
Omnichannel retailers, marketplaces and pure-play providers surge

Amazon
Total net sales reached $75.5bn in Q1 2020. This is a year-on-year increase of 26.4%.

Walmart
74% growth in Q1 2020. It will partner with Shopify to grow its online offer. Walmart+ will compete with Amazon Prime.

Target
An increase of 141% in digital sales during Q1 2020, accounting for 9.9% sales growth.

Instacart
Became the number one online grocery platform in the U.S. in March 2020, surpassing Walmart.

Facebook
Facebook is becoming a retail destination. Shops lets firms set up an online store and sell goods on Facebook.

Shopify
New stores created via Shopify increased 62% (March 13-April 24) versus the previous six weeks.

Alibaba
Gross Merchandise Value reached CNY698.2 billion (USD98.5bn) during the 618 sales event in China.

JD.com
Transaction volumes rose 33.6% YOY to CNY269.2 billion (USD38bn) during the 618 sales event, in June 2020.

SOURCE: WARC
E-commerce and the future of effectiveness

2. Marketing goes back to basics
Effectiveness in the e-commerce age requires a rethink of all the marketing fundamentals: product, place and price as well as promotion.

Brands are offering bigger packs and multi-buy options, at different price points, as they look to boost profitability out of online retail. Delivery is a new ‘moment of truth’ for online brands, with packaging a key touchpoint. Unboxing is a key brand opportunity to stand out.

Meanwhile, direct-to-consumer brands with significant first-party data are rethinking their approach to driving repeat purchases. For these brands, the concept of customer lifetime value will become more important.
3. The shift to shoppable media
E-commerce platforms like Alibaba in China, Amazon and omnichannel retailers like Walmart and Target in the US are becoming advertising and media destinations in their own right. In China the platforms already offer a range of advertising options to capture as much of the purchase journey (awareness through to purchase) as possible; platforms elsewhere are following suit.

Shoppable ads are now a key trend in digital advertising, with social platforms looking to extend their reach into e-commerce via shoppable formats and storefronts within their platforms.

For brands, these trends bring e-commerce and media strategy much closer; many brands are rethinking the way their budgets are siloed to enable better investment.
E-commerce and the future of effectiveness

4. The dangers of short-termism
Short-termism intensifies

The rise of shoppable formats and e-commerce media is likely to accelerate the shift toward short-termism identified by researchers such as Les Binet and Peter Field. And that will only be compounded by recession.

Yet there is evidence that a strong brand is key to driving traffic, boosting performance of direct-response ads and maintaining price premiums online. Balance is key – it’s not a question of investment in either brand or activation, but a smart blend of both.

Trust is vital in e-commerce, not just in the brand but in the entire end-to-end experience.
5. The rise of livestreaming
COVID-19 has accelerated the growth of livestreaming e-commerce in China: a powerful combination of influencers, video, social and online selling.

Discount-driven and convenience-led, livestreaming is particularly suited to products that have a short decision cycle, such as food, fashion and beauty. That said, automotive and luxury brands are experimenting with livestreams, which is driving awareness and consumer engagement.

The latest phase of livestreaming puts Chinese business leaders from brands such as McDonald’s centre-stage, to engage consumers and even launch new products.
Contributors to this Guide

**Effectiveness in the e-commerce age (video)**
Gemma Spence
OMG Transact

**Brand experiences in e-commerce (video)**

**‘How brands grow’ in the e-commerce era**
Gemma Spence
OMG Transact

**Three-way points for navigating e-commerce in a post-pandemic world**
Alex Zhang
VCCP Singapore

**Surfing China’s cross-border e-commerce wave**
Dr. Renata Thiébaut
Web2Asia

**Explainer: 12 facts about livestreaming e-commerce in China**
Rong Zhang, Edison Wang, Tina Luo & Leo Huang
Yimian

**How FMCG brands can respond to change after Covid-19**
Jess Smith
Grey London

**From e-commerce to omnichannel**
Simon Ingram
Mediacom

**How Marlin Brands accelerated digital**
Manik Godhwani
Marlin Brands

**Delight at the doorstep: letterbox packaging – the new moment of truth**
Jenn Szekely
Coley Porter Bell

**Facebook Shops and the future of social commerce**
Neilson Hall & Allie Tattersall
Reprise UK

**China may be a forerunner in e-commerce, but is letting us down in content**
Dennis Potgraven
Havas Group China
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How do I balance short and long-term marketing needs?

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Anatomy of Effectiveness: WARC white paper

WARC Guide to marketing in the COVID-19 recession
Contact us

London
33 Kingsway
London
WC2B 6UF
United Kingdom

+44 (0)20 7467 8100
enquiries@warc.com

New York
229 West 43rd Street
7th Floor
New York, NY 10036
United States

+1 212 201 2800
americas@warc.com

Singapore
OUE Downtown 1
#44-03, 6 Shenton Way
Singapore 068809

+65 3157 6200
asiapacific@warc.com

Shanghai
Unit 05-08,
31/F, Garden Square,
968 West Beijing Road,
Jing’an District, Shanghai

+ 8621 6197 8692
asiapacific@warc.com

David Tiltman
VP Content, WARC
david.tiltman@warc.com

Lena Roland
Managing Editor,
WARC Knowledge
lena.roland@warc.com

Alex Brownsell
Senior Media Editor
alex.brownsell@warc.com

Anna Hamill
Senior Editor, Brands
anna.hamill@warc.com

Cathy Taylor
Commissioning Editor, US
cathy.taylor@warc.com

Catherine Driscoll
Commissioning Editor
catherine.driscoll@warc.com
About WARC

Who we are

At WARC, our purpose is to save the world from ineffective marketing by putting evidence at the heart of every marketing decision.

We believe that effective marketing is based on facts and not opinions.

Since 1985, we’ve brought confidence to marketing decisions through the most trusted research, case studies, best practice, data and inspiration.

Today, we help 75,000+ marketers across 100+ countries.

Our clients include the world's leading brands, advertising and media agencies, media owners, research companies and universities - including the top-five largest agencies and top-five largest advertisers in the world.

Find out more about WARC: warc.com/demo

Where we are

London
33 Kingsway
London
WC2B 6UF
United Kingdom
+44 (0)20 7467 8100
enquiries@warc.com

New York
229 West 43rd Street
7th Floor
New York, NY 10036
United States
+1 212 201 2800
americas@warc.com

Singapore
OUE Downtown 1
#44-03, 6 Shenton Way
Singapore 068809
+65 3157 6200
asiapacific@warc.com

Shanghai
Unit 05-08,
31/F, Garden Square
968 West Beijing Road
Jing’an District,
Shanghai, 200052
+ 8621 6197 8692
asiapacific@warc.com