Building a Best-in-Class eCommerce Capability

How eCommerce Leaders Transform their Organizations to Win Online
Caprē Group has been helping suppliers and retailers develop best-in-class marketing & sales capabilities for over fifteen years. We’ve seen a major groundswell from our clients in effort, resources, and attention placed on eCommerce. eCommerce sits at a fascinating nexus of multiple go-to-market functions: insights, strategy, sales, and supply chain. Naturally, we wanted to help our clients succeed in this rapidly-growing and critical investment space.

In the Summer of 2018, we conducted a series of interviews with nearly 30 suppliers and retailers representing a wide variety of product categories and business models. From these interviews we have developed eCommerce Capability Benchmarks to enable organization decision.

The product suppliers we interviewed accounted for over $250B in revenue in 2017, with ten Fortune 100 companies among them. The eCommerce retailers we interviewed represent nearly 60% of all eCommerce sales. It was important that we learned from organizations across a wide spectrum of eCommerce advancement. We interviewed teams for whom eCommerce represents over 30% of their annual sales, and others in which it represents less than 1%. We spoke with experts in the direct to consumer retailer space, pioneers in Click & Collect and grocery delivery, and even suppliers that manage their own direct shipments to consumers.

Regardless of level of advancement, there is a lot to learn from this study, whether you are just starting on your eCommerce journey, or are a seasoned veteran looking to find the next competitive edge. This white paper distills our study into four strategic imperatives for building a leading eCommerce capability. It also provides some general guidance on where leaders focus their capability investment.

A CRITICAL NOTE FOR READERS

No one we interviewed has yet reached their desired state, even those companies we describe as “leading” in eCommerce capability. The shared perspective across all our eCommerce interviews is that organizations must continue to evolve as the environment and marketplace rapidly change. From the smallest online operation to the biggest eCommerce titan, a “test & learn” mindset is essential.
Contents

Executive Summary

Yesterday’s Future, Today
We've known about eCommerce for decades, but still struggle to succeed

Strategic Imperative #1
Embrace a New Business Model to Win in eCommerce
Leading companies approach eCommerce with a nimble e-commerce pioneering mindset

Strategic Imperative #2
Build Retail Partnerships Beyond the Algorithm
Suppliers who build partnerships with online retailers will enjoy a distinct advantage

Strategic Imperative #3
Prioritize eCommerce Investment in Both Analytics and Insights
Go beyond data analytics to invest in creating deep eCommerce insights

Strategic Imperative #4
Create eCommerce Strategies That Prepare for the Future
Don’t overly focus on fundamentals; focus instead on solving tomorrow’s challenges

eCommerce Capability: Be a Leader
Common characteristics of eCommerce leaders across the four capability areas
Leading eCommerce organizations craft their capabilities to deliver truly seamless experiences to their shoppers, achieve joint objectives with their retail partners, and consistently drive growth – a strong capability is how those leaders sustain that competitive advantage long into the future.

Four strategic imperatives form a roadmap to best-in-class eCommerce capability:

<table>
<thead>
<tr>
<th>Executive Summary</th>
<th>Building a Best-in-Class eCommerce Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Embrace a New Business Model to Win in eCommerce</strong></td>
<td><strong>2. Build Retail Partnerships Beyond the Algorithm</strong></td>
</tr>
<tr>
<td><strong>eCommerce</strong> – whether delivery or Click &amp; Collect – requires a fluid business model, with a team that is nimble, pioneering, and able to adapt to change and re-think the status quo of how the organization goes to market. Leaders approach eCommerce with fresh perspective and creativity:</td>
<td>Building strong partnerships with eCommerce retailers is the biggest untapped opportunity for suppliers today. Online retailers use algorithms to make decisions, but this does not mean they only care about data. eCommerce retailers want trustworthy advisors just like their brick &amp; mortar counterparts. They want insights, innovation, and meaningful relationships.</td>
</tr>
<tr>
<td>• They integrate eCommerce, Digital, and other relevant areas of the digital path-to-purchase.</td>
<td>Retailers are distraught by the lack of collaboration from their supplier partners. Suppliers are underinvesting in the relationship, understaffing teams, are consistently behind on trends, and bring incomplete or inaccurate data to the table. The suppliers who reverse these trends will enjoy meaningful competitive advantage for years to come.</td>
</tr>
<tr>
<td>• They invest in eCommerce beyond ROI, prioritizing eCommerce opportunities not for today’s bottom-line but tomorrow’s growth potential.</td>
<td>• They create a foundational understanding of the digital path-to-purchase for their categories.</td>
</tr>
<tr>
<td>• They emphasize building cross-functional eCommerce competencies to ensure broad expertise.</td>
<td>• They work to connect directly with consumers to generate a database of behavior, attitudes, &amp; preferences to track, measure, and analyze over time.</td>
</tr>
<tr>
<td>• They foster a sense of shared ownership of eCommerce success.</td>
<td>• They leverage AI and external vendors to optimize the time spent on data management.</td>
</tr>
</tbody>
</table>

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<tbody>
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<td>Organizations should invest to create deep insights around its eCommerce retailers, categories, and shoppers. Much attention and resources are applied to data analytics, but eCommerce leaders demonstrate the value of also focusing on creating insights &amp; thought leadership.</td>
<td>eCommerce leaders do not create strategies focused on tactical fundamentals, like the digital shelf, assortment, or pricing. Instead, they build strategies to anticipate and solve tomorrow’s eCommerce growth challenges. Early eCommerce growth will always slow down, and companies that are not prepared will languish. eCommerce leaders focus on translating their unique capabilities into leadership and growth strategies in the online space.</td>
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Yesterday’s Future, Today

In 1967, the Philco-Ford corporation aired a special program titled “The House of the Future – 1999 A.D.” This 30-minute advertisement for Philco-Ford’s futurist expertise depicted a contemporary family of the 1960s within the walls of a home in 1999, imagining and demonstrating the innovation that would be made possible through the magic of technology.

Many of these projections are off the mark, either moving too fast (instant meal generators, the colonization of Mars) or too stuck in the conventions of the day (computers with arrays of knobs and switches, an uncomfortably dated perspective on the subservient role of the female in the home). However, there is one prediction that is startlingly accurate:

“Fingertip shopping will be one of the homemaker’s many conveniences. This video console will be channeled into the store of her choice. There, a camera will scan a display of wares which she will select by push button... All bills and transactions will be carried out electronically.”

A half century ago, Philco-Ford predicted eCommerce. Less than thirty years later, in 1994, the first online transaction took place. And yet, here in 2018, many organizations are still struggling to succeed with eCommerce. The problem is not a lack of awareness or technical acumen. The problem is a lack of capability.

Anyone can sell a product online; leading organizations craft their eCommerce capabilities to deliver truly seamless experiences to their shoppers, achieve joint objectives with their retail partners, and consistently drive growth – a strong capability is how those leaders sustain that competitive advantage long into the future.

Through our interviews, four strategic imperatives emerged as a roadmap to best-in-class eCommerce capability. These imperatives address the eCommerce Business Model, Retailer Relationships, Data & Insights, and Strategies for Growth. Use these as guidelines to evaluate your own eCommerce capability, and whether your organization is truly structured to succeed.
It can be difficult to envision the future without being tethered to the realities of the present, which is why many organizations push eCommerce into old ways of working. Regardless of route-to-consumer (e.g., direct delivery, Click & Collect, or other fulfillment models), eCommerce is fluid and requires a fluid business model. We asked companies how they structured their eCommerce teams, and there was no ‘right’ answer that set the leaders apart. What was distinguished leaders philosophy: the eCommerce team must be nimble & pioneering, adapting to change and re-thinking the status quo of how the organization goes to market.

Leading companies approach eCommerce with fresh perspective and creative business models that unlock new possibilities. While they may differ in scale and shape from company to company, nimble & pioneering eCommerce organizations share similar qualities:

4 Steps to **WIN** in eCommerce

- **A SHARED OWNERSHIP OF eCommerce SUCCESS**
- **INVESTMENT IN eCommerce BEYOND ROI**
- **A SEAMLESS ONLINE SHOPPING EXPERIENCE**
- **AN EMPHASIS ON BUILDING CROSS-FUNCTIONAL eCommerce COMPETENCIES**

eCommerce is a digital, fast-moving marketplace that cannot be defined by the structures and routines of an analog, slower-paced world.
The eCommerce leaders in our study embraced eCommerce as an opportunity to transform the way they look at selling their products, creating a culture of agility and new thinking – grounded in the context of that organization. “I’m building a team of adventurous pioneers,” says one CPG eCommerce lead. “Someone who says ‘I didn’t know what to do so I did nothing’ is not acceptable.” Companies that do create a culture of agility, and are not experiencing the benefits listed here, should reexamine whether they have truly set their eCommerce teams up to succeed.
Building partnerships is the biggest untapped opportunity for suppliers today. Few companies we interviewed are building strategic partnerships with eCommerce retailers, and even those few would admit that they are nowhere near where they should be. Suppliers can bring great value to their online relationships: deep consumer and shopper insights, product and packaging innovation, supply chain solutions, creative marketing and branding expertise. The supplier who gets it right will have a meaningful competitive advantage for years to come.

It is understandable why this gap exists. For suppliers, eCommerce revenue is typically a low percentage of total sales, especially for food & beverage, leading to underinvestment in collaborative partnerships with retailers. Retailers are acutely aware of this. “We are ahead of them in everything,” says a lead merchant for a Global Online Retailer. “We need suppliers who care about where the Internet is going and have insights on how to get there.”

Throughout our interviews, eCommerce retailers lamented the lack of partnership from their suppliers:

- Retailers are hiring the best and brightest to lead their eCommerce divisions and categories; suppliers are putting inexperienced managers in lead roles and under-staffing their teams.

- Retailers are investing in revolutionary technology to drive eCommerce efficiency and speed; suppliers lack capability to add value into supply chain or order fulfillment processes.

- Retailers are begging for insights to help them understand shoppers; suppliers bring them data that is incomplete, outdated, or inaccurate.

BONUS READ

eCommerce is everything for retailers, essential for maintaining loyal shoppers, capturing growth, and, critically, staying relevant. Beyond pure play online retailers like Amazon or Boxed, every leading retailer is declaring their intentions to win in eCommerce, delivery and Click & Collect alike. Walmart. Kroger. Ahold. Best Buy. Target. Even lower-income destinations like Family Dollar have an eCommerce ambition. The pressure on retailers to succeed in eCommerce is intense. Walmart shares dropped 10% ($31B in market cap) in Q1 2018 when holiday quarter online growth was posted as only 23% versus the 50% growth in the preceding quarter. 

eCommerce retailers want trustworthy supplier advisors just like their brick & mortar counterparts. They want insights and innovation. They want help evolving how packages arrive on the consumer’s doorstep, or how shoppers experience the store when they pick up an online order. In other words, they want meaningful supplier relationships. An eCommerce Insights Leader described this to us as partnership beyond the algorithm: “People think of Amazon as a robot, but if you build good relationships they will support you beyond what the data tells them to do.”

Online retailers have vast amounts of data and leverage robust algorithms to make product and assortment decisions, but this does not mean they only care about data.
Strategic Imperative #3

Prioritize eCommerce Investment in Both Analytics and Insights

One of the strongest investments an organization can make is to create deep insights around its eCommerce retailers, categories, and shoppers. “Amazon & Walmart have more data than we ever will,” says one eCommerce Sales Leader. “They don’t want more data. Knowledge is power, so I have to bring them insights about our brands and their shoppers that they can’t get anywhere else.”

We recognize the challenge in moving beyond eCommerce data to create insights and thought leadership. Many eCommerce teams are under-resourced, and it takes a great deal of effort to analyze the abundance of data available. A seller on Amazon can track sales, page rankings, ROI, attribution—and much more—to identify product trends, anticipate search terminology, optimize assortment and pricing, create pulse promotions, and so on. For one eCommerce director in our study, data analysis is everything: “I’m forcing us to look at our sales data every day. Every time you change something you can see the immediate impact, and then others copy. It’s a constant effort to maintain success.”

Many of the suppliers we interviewed would spend their next dollar on additional data analysts. What sets eCommerce leaders apart is that they have balanced their resource investment between data analytics and insights development, seeking creative ways to maintain constant vigilance around the day-to-day while putting a critical eye toward the future.
Prioritize eCommerce Investment in Both Analytics and Insights

Some common qualities include:

**A FOUNDATIONAL UNDERSTANDING OF THE DIGITAL PATH-TO-PURCHASE**
Consumers and shoppers move across the blurry lines of online and offline commerce based on context, need, and category. Some clues are offered by tracking data, but deeper research is needed to understand the why behind the buy: how shoppers think about the category, their usage occasions, what reinforces their behavior, how they consider different sources of information, what factors influence their purchase decisions, what drives them in-store versus online, etc. eCommerce leaders invest time and money to build this knowledge and use it to their advantage.

**CAPTURING CONSUMER DATA DIRECTLY**
Direct-to-Consumer selling is typically a small share of overall revenue for even the largest eCommerce suppliers. However, leaders invest in D2C efforts because it affords them an ability to directly interact with consumers and capture better, stronger information about their online behaviors and preferences. By feeding this information into a robust CRM database, these companies can manage their consumer relationships over time and identify unique insights that cannot be captured via 3rd party data.

**AI & OUTSOURCING TO OPTIMIZE ANALYTICS**
There are many qualified vendors offering advanced analytics support and AI-fueled data analysis and automation – eCommerce leaders are embracing these technologies to free up time for their internal resources to focus on insights development and strategy. The common theme is test & learn: constantly trying new technologies, rotating vendors in and out to keep ahead of the industry, and narrowing in on what approach works best for their categories and shoppers.

Data analytics are crucial for staying ahead of the competition. Unlike in brick & mortar, where a first-mover on a trend may have a 6-to-12-month head start, online competitors can crib keywords and product descriptions almost instantly. Yet deep eCommerce Insights are also crucial—for both a company’s own performance and its relationships with suppliers. Creating a proprietary point-of-view on how the online shopper thinks and behaves in your categories is valuable, and far more difficult to replicate.

Analytics, as powerful and predictive as they may be, can only interpret the past. Insights can help you understand what’s next.
Strategic Imperative #4

Create **eCommerce Strategies That Prepare for the Future**

A major distinction across eCommerce capabilities is that those who struggle tend to be overly focused on the fundamentals of being online, while those who succeed are placing their attention on leading online.

**eCommerce leaders do not create strategies to continue today’s success; they build strategies to anticipate and solve tomorrow’s challenges.**

US eCommerce retail grew by 16% overall in 2017, and represented half of total retail growth that fiscal year. Even Grocery and other high-touch categories are gaining momentum online, as shoppers shift more and more of their purchasing to convenient online platforms. eCommerce is a raging river of growth, and every boat placed in the water will be swept up in the current. In other words, those early in their eCommerce journey will be rewarded just for showing up. But this early reward creates problems down the line, according to an Online Retail Sales Lead for a major CPG. “Most companies are going to see immediate growth just by putting their products online,” the Sales Lead told us. “But then the growth will slow down, and they’ll actually have to figure out how to succeed.” The problem is many companies are not strategically prepared for that eventuality.

Strategic Imperative #4
Create eCommerce Strategies That Prepare for the Future

It is easy to understand why. Brands have mere moments to be found and chosen in the complex & crowded online environment. eCommerce fundamental excellence is essential, and companies rightly spend a great deal of resource on establishing and perfecting their Digital Shelf: the imagery, descriptions, reviews, and supporting content that enable online shoppers to find, learn about, and interact with their products. Maintaining the Digital Shelf, as well as perfecting Assortment, Pricing, Measurement, and other eCommerce fundamentals, requires a steady investment in time and people. Many of the companies we interviewed declared “Perfecting the Digital Shelf” as a core eCommerce strategy for their organization. And initial growth results validate that strategy.

But maintaining the Digital Shelf is not a strategy, not truly. It is an essential enabler of online success, but it does not create competitive advantage or help a company grow behind the first initial burst of online success. eCommerce leaders recognize that fundamentals alone will not create consistent growth. Instead, their eCommerce strategies focus on translating their organization’s unique capabilities into leadership and growth in the online space.

For Example:

Create a Best-in-Class eCommerce Supply Chain
This organization was focused on translating their supply chain leadership for brick & mortar retailers into solutions in the eCommerce space, innovating and partnering to improve pick times, order fulfillment, and delivery costs.

Incubate New Product Innovation
One leading company emphasized leveraging its strength in R&D and insights to use eCommerce as a way to rapidly test new product innovation and build strong consumer preference within target markets.

Creating Impulse Opportunities in a New Environment
A shopper who receives a package at their home or picks up a Click & Collect order at the store will not be tempted by traditional impulse purchase cues. One organization is investing to test and implement new methods of creating impulse in the eCommerce environment.

Diversify Portfolio with New Revenue Streams
A company with an entrepreneurial culture encouraged using eCommerce as a way to create alternate revenue streams, whether through direct-to-consumer sales, licensing or affiliate programs, or other creative approaches.

All these strategies certainly depend on an optimized digital shelf and other core eCommerce fundamentals, but they recognize that fundamentals alone will not create sustainable growth. The world will rapidly change and, when it does, the organization will have to work five times as hard to capture growth. eCommerce strategies should be designed accordingly.
eCommerce Capability: Be a Leader

**Work Focus Areas**
- eCommerce integrated into multiple planning processes
- Marketing & media efforts incorporate online & offline
- Marketers involved in building online retailer engagements
- Bring suppliers unique insights and capabilities to create powerful online category proposition

**People Focus Areas**
- Adequate headcount for eCommerce leaders, subject matter experts, cross-functional managers, and field support
- Customized structure built to achieve eCommerce goals
- Constantly refresh technical expertise & industry knowledge
- Defined ownership of eCommerce priorities

**Tools Focus Areas**
- Partnership with established external tool providers to ensure clear view of shopper behavior
- Tools that capture more immediate & accurate data
- Frequent auditing of tools / constant evaluation of providers to stay up to date
- Invest in technology focused on seamless experiences (endless aisle, automation, etc.)

**Insights Focus Areas**
- Deep understanding of online path-to-purchase, including interactions between digital / brick & mortar
- Robust knowledge of online category trends & occasions
- Real-time tracking & optimization of programs
- Predictive analytics to inform digital shelf, assortment, pricing, and activation
caprē group has developed eCommerce benchmarks to create strong market impact. Call Caprē Group to build competitive advantage through an agile eCommerce capability.

E-mail us at info@capregroup.com.
or call 678.443.2280.
We look forward to talking soon.