

## The **WARC** guide

# E-commerce and the future of effectiveness

A new set of e-commerce tools for the new normal rules

# In this Guide

## 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?

## Why it matters

**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.



# 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.

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

**WARC**<sup>^</sup>

### 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



# Online retail's inflection point

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.

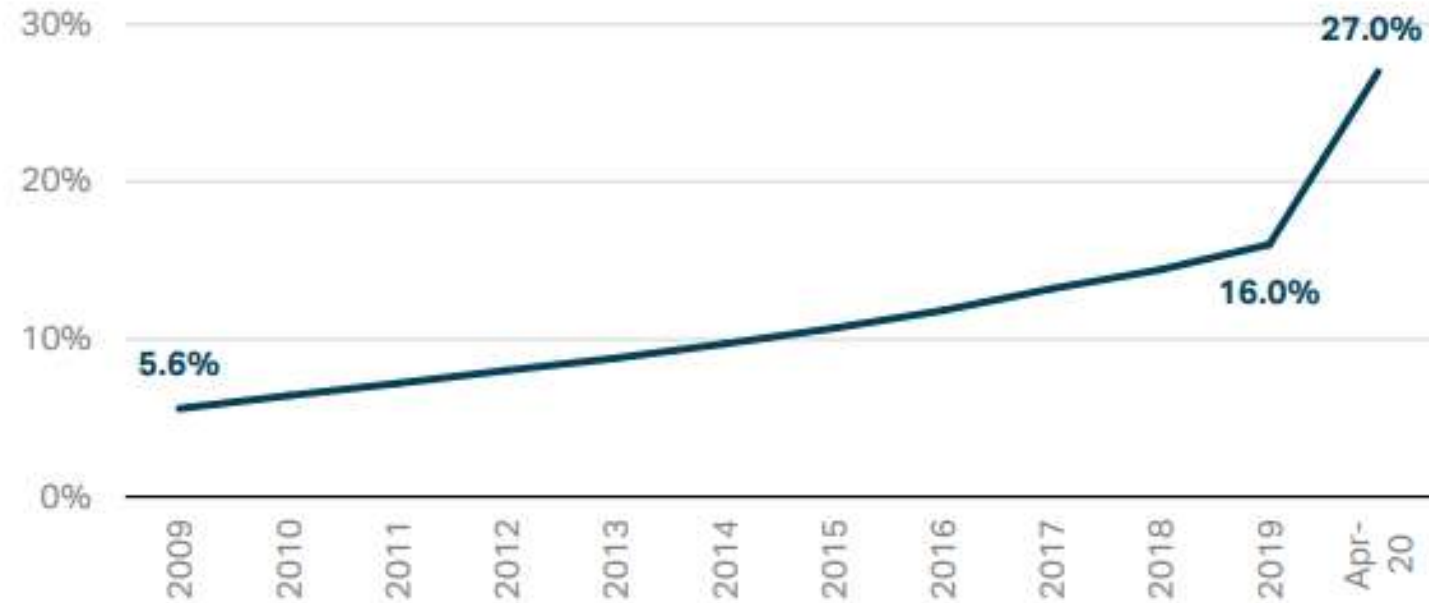
## The e-commerce boom

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%.

## US, e-commerce penetration *% of retail sales*

**WARC<sup>^</sup>**

**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*

WARC<sup>^</sup>

### 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

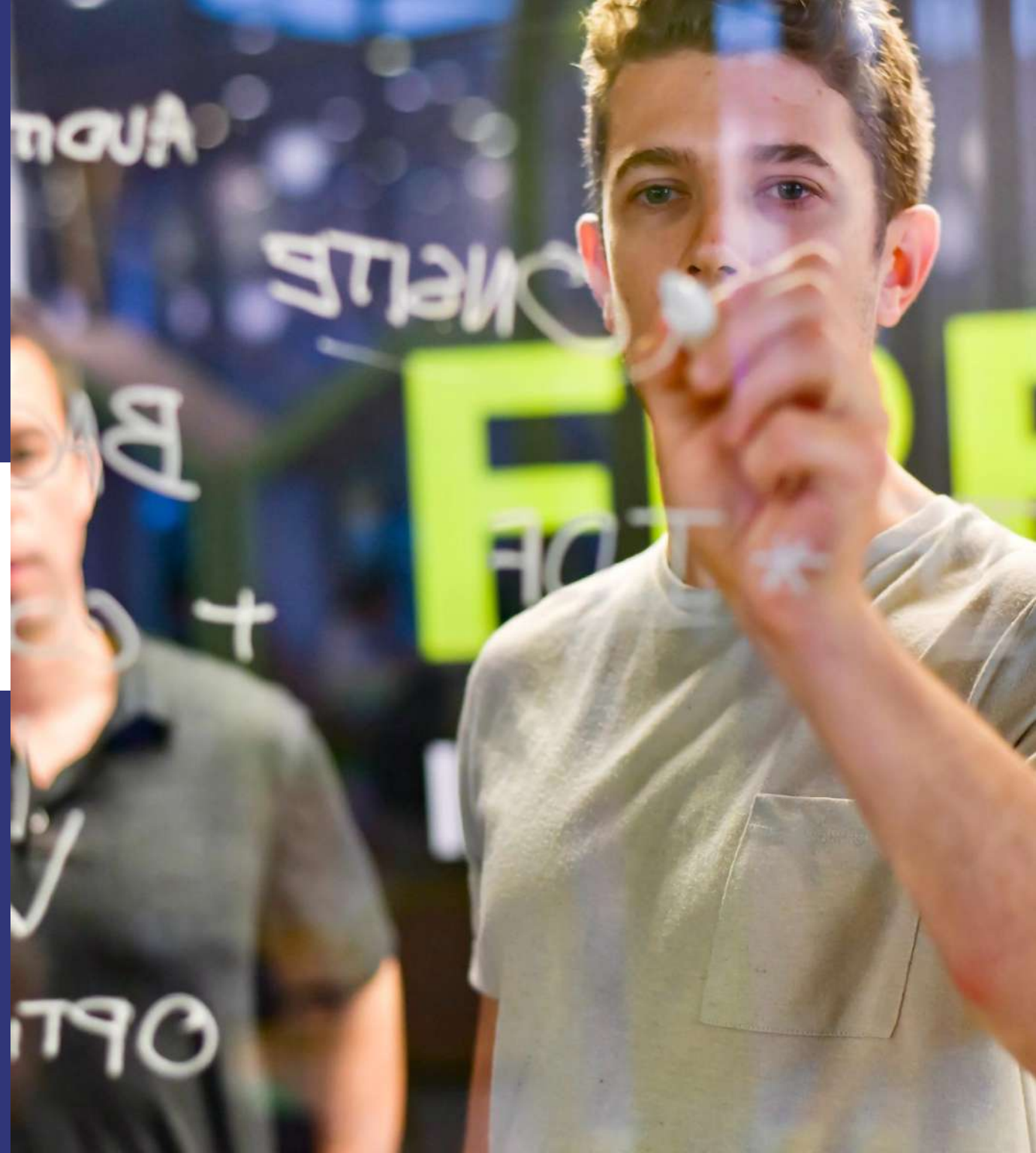
### JD.com

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



E-commerce and the future of effectiveness

## **2. Marketing goes back to basics**



# More than messaging

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.

E-commerce and the future of effectiveness

## **3. The shift to shoppable media**





# A shift in performance marketing

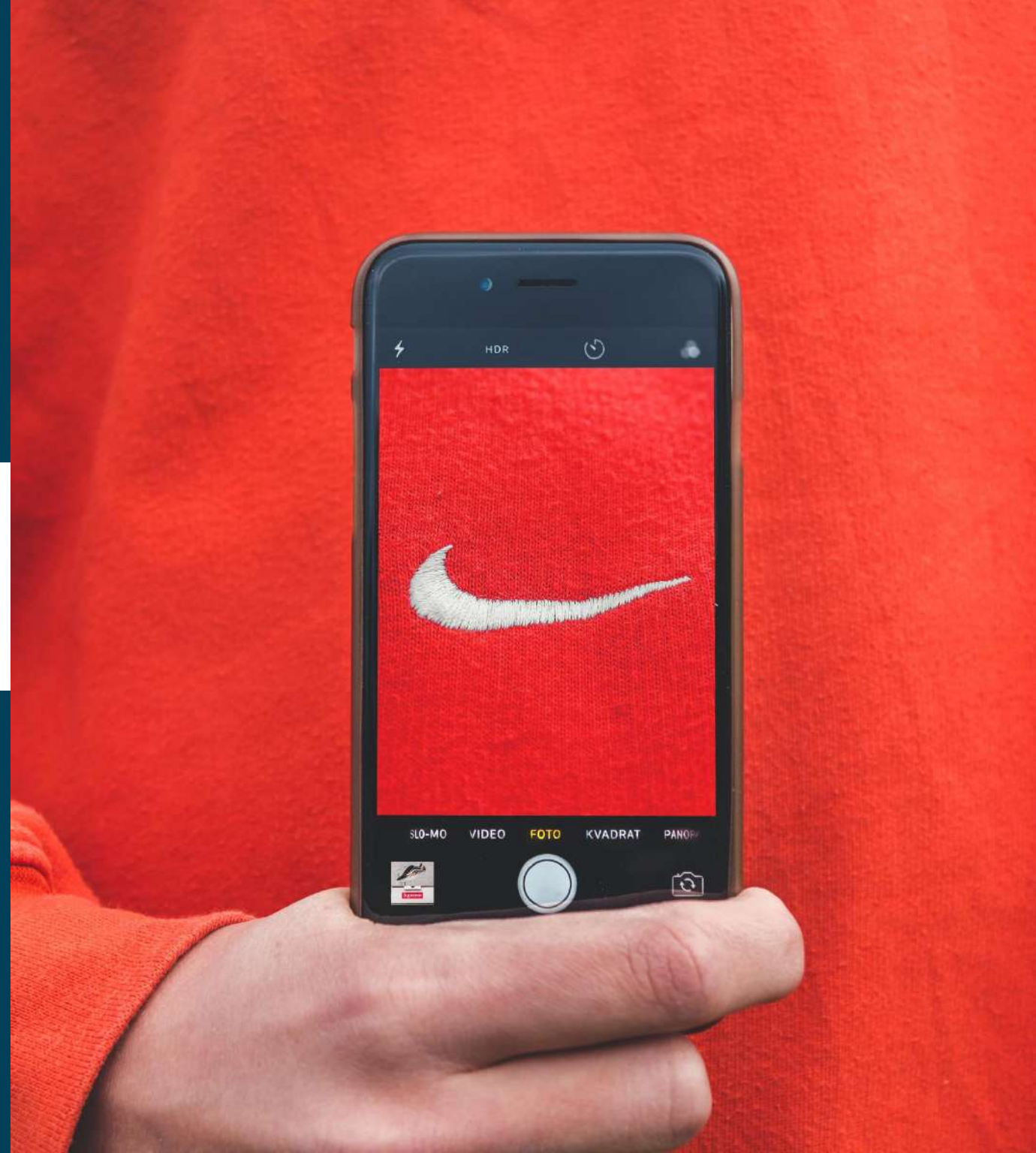
E-commerce platforms like Alibaba in China, Amazon and omnichannel retailers like Walmart and Target in the US are becoming advertising and media destinations in their own right. In China the platforms already offer a range of advertising options to capture as much of the purchase journey (awareness 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.

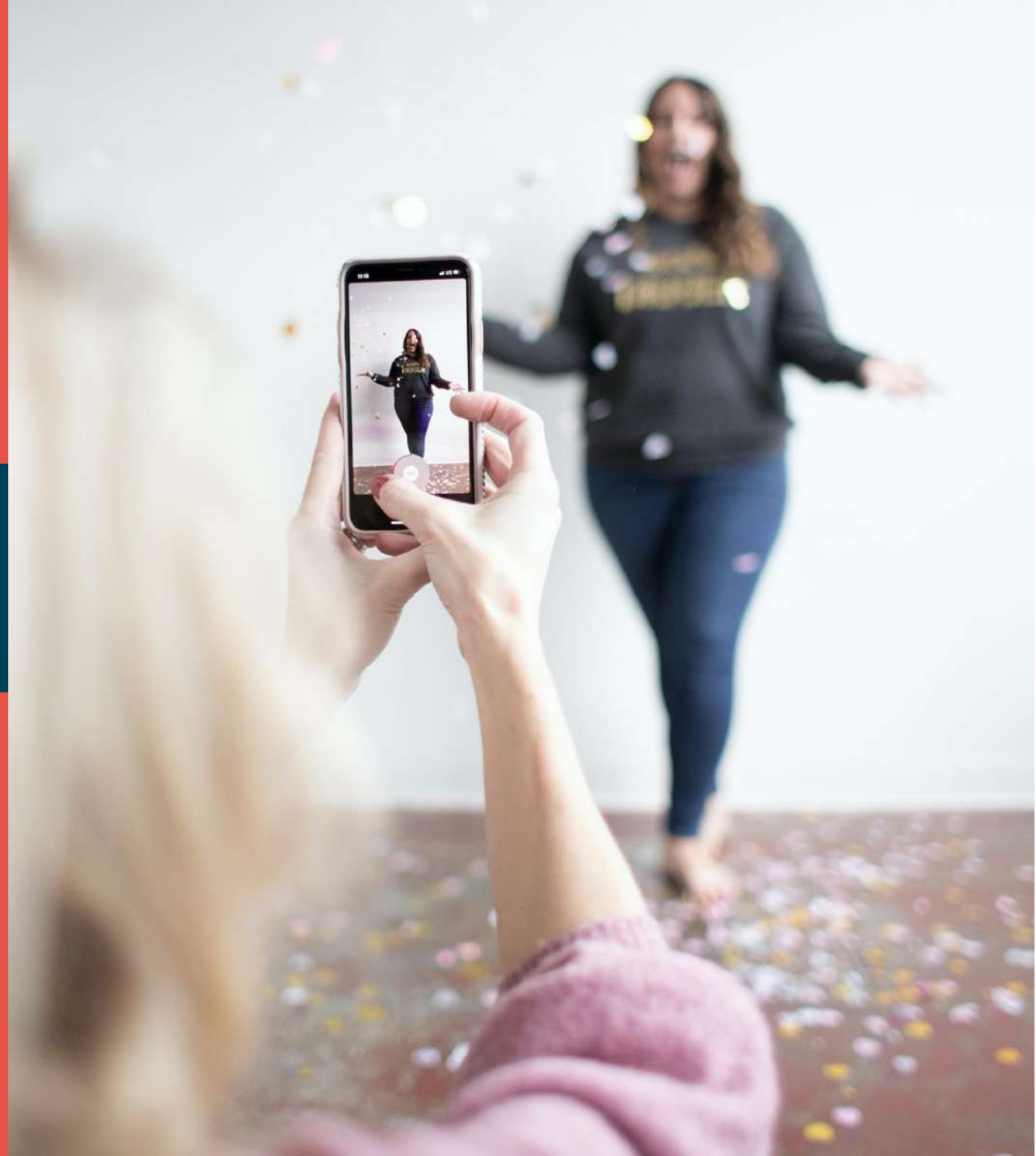
Yet there is evidence that a strong brand is key to driving traffic, boosting performance of direct-response ads and maintaining price premiums online. Balance is key – it's not a question of investment in either brand or activation, but a smart blend of both.

Trust is vital in e-commerce, not just in the brand but in the entire end-to-end experience.



E-commerce and the future of effectiveness

## 5. The rise of livestreaming



## Next up: ‘retailtainment’

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 \(video\)](#)

[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 Thiébaud**  
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



# More from WARC

[How P&G is reacting as COVID-19 brings ten years of e-commerce growth in eight weeks](#)

[How marketers like P&G are adapting to a new e-commerce landscape](#)

[Budweiser builds an e-commerce business with first party data and smarter advertising](#)

[How The Campbell's Soup company is adapting to the demands of e-commerce](#)

[GSK leads with data-led content and e-commerce during COVID-19](#)

[Pivoting to e-commerce during COVID-19: Five tips for success](#)

[Scott Galloway's four stats on the future of e-commerce](#)

[Trend Snapshot: Livestream commerce](#)

[Something old, something new: what can brands do in e-commerce during this recession?](#)

[What we know about long-term and short-term effectiveness](#)

[How do I balance short and long-term marketing needs?](#)

[General rules on how to balance long-term brand building vs short-term activation](#)

[What we know about brand trust](#)

[What we know about theories of brand growth](#)

[What we know about customer experience](#)

[Winning in the era of brand experience \(Admap\)](#)

[Marketers Toolkit 2020: Building brands in the walled gardens](#)

[Marketers Toolkit 2020: The pivot back to brand](#)

[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](mailto:enquiries@warc.com)

## Singapore

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

+65 3157 6200  
[asiapacific@warc.com](mailto:asiapacific@warc.com)

## New York

229 West 43<sup>rd</sup> Street  
7<sup>th</sup> Floor  
New York, NY 10036  
United States

+1 212 201 2800  
[americas@warc.com](mailto:americas@warc.com)

## Shanghai

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

+ 8621 6197 8692  
[asiapacific@warc.com](mailto:asiapacific@warc.com)



**David Tiltman**  
VP Content, WARC

[david.tiltman@warc.com](mailto:david.tiltman@warc.com)



**Lena Roland**  
Managing Editor,  
WARC Knowledge

[lena.roland@warc.com](mailto:lena.roland@warc.com)



**Alex Brownsell**  
Senior Media Editor

[alex.brownsell@warc.com](mailto:alex.brownsell@warc.com)



**Anna Hamill**  
Senior Editor, Brands

[anna.hamill@warc.com](mailto:anna.hamill@warc.com)



**Cathy Taylor**  
Commissioning Editor, US

[cathy.taylor@warc.com](mailto:cathy.taylor@warc.com)



**Catherine Driscoll**  
Commissioning Editor

[catherine.driscoll@warc.com](mailto: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](http://warc.com/demo)

## Where we are

### **London**

33 Kingsway  
London  
WC2B 6UF  
United Kingdom

+44 (0)20 7467 8100  
[enquiries@warc.com](mailto:enquiries@warc.com)

### **Singapore**

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

+65 3157 6200  
[asiapacific@warc.com](mailto:asiapacific@warc.com)

### **New York**

229 West 43<sup>rd</sup> Street  
7<sup>th</sup> Floor  
New York, NY 10036  
United States

+1 212 201 2800  
[americas@warc.com](mailto:americas@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](mailto:asiapacific@warc.com)