

CPG Brands Are Rethinking How They Work with Amazon

Article



The fastest-growing category on Amazon this year is food and beverage, up 40.1%, with the health, personal care and beauty category close behind at 37.9%. While sales volume is still small, the uptick shows consumers are turning to ecommerce more often for everyday items and grocery shopping.

Consumer packaged goods (CPG) companies, meanwhile, have taken a mixed approach to ecommerce, either letting retail partners do the heavy lifting or testing sales through their own channels.

So why do CPG brands need an Amazon strategy? According to several executives in the space, it's not just about sales—it's about testing, learning and prepping for the day when ecommerce becomes a significant source of retail sales.

Shoppers are searching for information about products online, even if they eventually purchase in-store. And those searches often begin on Amazon. Various data points demonstrate how often shoppers begin a product search online. Product content management company Salsify found that 41% of US digital shoppers will search and buy on Amazon, while other findings put it closer to 60%. No other method of search, including Google, drove as many purchasers to a specific ecommerce platform.

Preferred Shopping Method Among US Digital Shoppers, Feb 2018

% of respondents

Search and buy on Amazon

41%

Search on Google, buy on Amazon

28%

Search on Google, buy elsewhere

16%

Search and buy on another retail site

7%

Search on another retail site, buy somewhere else

5%

Search on Amazon, buy somewhere else

3%

Note: ages 18+

Source: Salsify, "2018 Consumer Research: Why Product Experiences Are What Win Consumer Trust in the Digital Age," March 7, 2018

236656

www.eMarketer.com

The takeaway: US shoppers' digital habits are leading brands to ensure their products are properly represented on Amazon so that they show up higher in search results.

"You can't afford to *not* work with Amazon," said Jie Cheng, director of digital and ecommerce at Campbell Snacks Division of Campbell Soup Company. "Ecommerce is a revenue channel, but it's a brand-building channel for marketing as well. The strategy [with Amazon] is to accelerate revenue growth while building our brand, especially on Amazon, given the reach of the platform."

Even if the brand isn't making money online, companies should take the long view, said Melissa Burdick, president of ecommerce technology and services agency Pacvue. "The challenge the big brands are having right now is that the formats for ecommerce can be unprofitable. It's the largest growth area, but still just 1% of sales. Trying to get [the higher ups] on board to change things is difficult; it can be expensive," pointing to costs for everything from adding staff to creating new packaging that will hold up during shipping.

While the overall number of sales of grocery products on Amazon is small, people do purchase a variety of CPG products from the retailer. October 2017 research from dynamic pricing advisor Feedvisor reported that in the past year, 48% of US digital shoppers had purchased personal care and beauty items on Amazon, 27% bought pet supplies and 24% of respondents purchased groceries and other foods.

eMarketer's latest report, "[The Amazon Playbook for CPG Brands: Create, Optimize and Maintain a Product Detail Page](#)," looks at the importance of the Amazon ecommerce platform, how to structure a team, the elements of the product detail page and how to best optimize it.

In the latest episode of eMarketer's "Behind the Numbers" podcast, analysts Patricia Orsini and Andrew Lipsman talk about why being on Amazon is becoming as important as doing better merchandising in-store. They explore how brands are viewing Amazon as a marketing channel and what some of the challenges of getting on Amazon are.