

How More Brands Are Reacting to Increased Online Competition

Article



While a gap in ecommerce adoption between retailers and brand manufacturers used to be quite prevalent, it's now **common practice** for brands to sell online, a trend that will continue to increase in 2019.

According to a newly released study by **Profitero** and **Kantar Consulting**, more brands rate themselves as advanced or expert in ecommerce this year (57%) than in 2017 (45%).



Additionally, 76% of brands expect to increase their ecommerce expenditures next year with the theme for investing being data and analytics; 73% project spending at least a portion of their budgets on this area.

What's driving these increases? Amazon, in part, and the ever-present competitive landscape. The biggest challenge cited was pricing and profitability (55%), followed by measuring ecommerce as a channel (51%) and attributing the online influence in offline sales (45%), which speaks to the investments in data and analytics.

What Are the Leading Challenges Brands Worldwide Face in Managing Ecommerce?

% of respondents, Aug 2018



Source: Profitero and Kantar Consulting, "The 2019 eCommerce Outlook for Brands," Nov 15, 2018

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Currently, larger brands (>\$500 million in sales annually) are going it alone more than smaller brands. Nearly three-fourths (72%) of larger brands sell primarily through their own ecommerce platform compared to 49% of smaller brands, which also sell through third-party marketplaces (20%) and a mix of the two (31%). But for both business sizes, there is a shift toward a hybrid approach. Seventeen percent of smaller brands plan to sell through third-parties in 2019 while 57% are evaluating it, and 14% of larger brands have third-party selling plans while 41% are thinking about it.

Increasingly, online marketplaces are being viewed as an additional sales channel, though **cannibalizing sales and losing the customer relationship are still concerns**. Amazon partnerships have become more attractive to big brands like Nike that once shunned them.

According to analysis by **Coresight Research**, between February and September 2018, third-party sales of Nike goods decreased 46% as Nike began selling directly on Amazon.

Retailers--especially smaller merchants--are also following suit. A November 2018 eMarketer forecast shows that companies beyond the largest 10 will see a sales decline of roughly 3.8% this year, but **those sales are being captured by Amazon Marketplace**.

At the same time, though, Amazon has been starting to alienate smaller brands. **Recode** recently reported that independent merchants are being shut out of the Marketplace and being forced to sell their goods to Amazon at wholesale prices as part of an impending initiative called One Vendor.

Brands will continue adopting ecommerce, though questions remain for smaller manufacturers whether first-party or third-party sales will make more sense in the future.