

# E-Commerce for Branded Manufacturers and Suppliers Report



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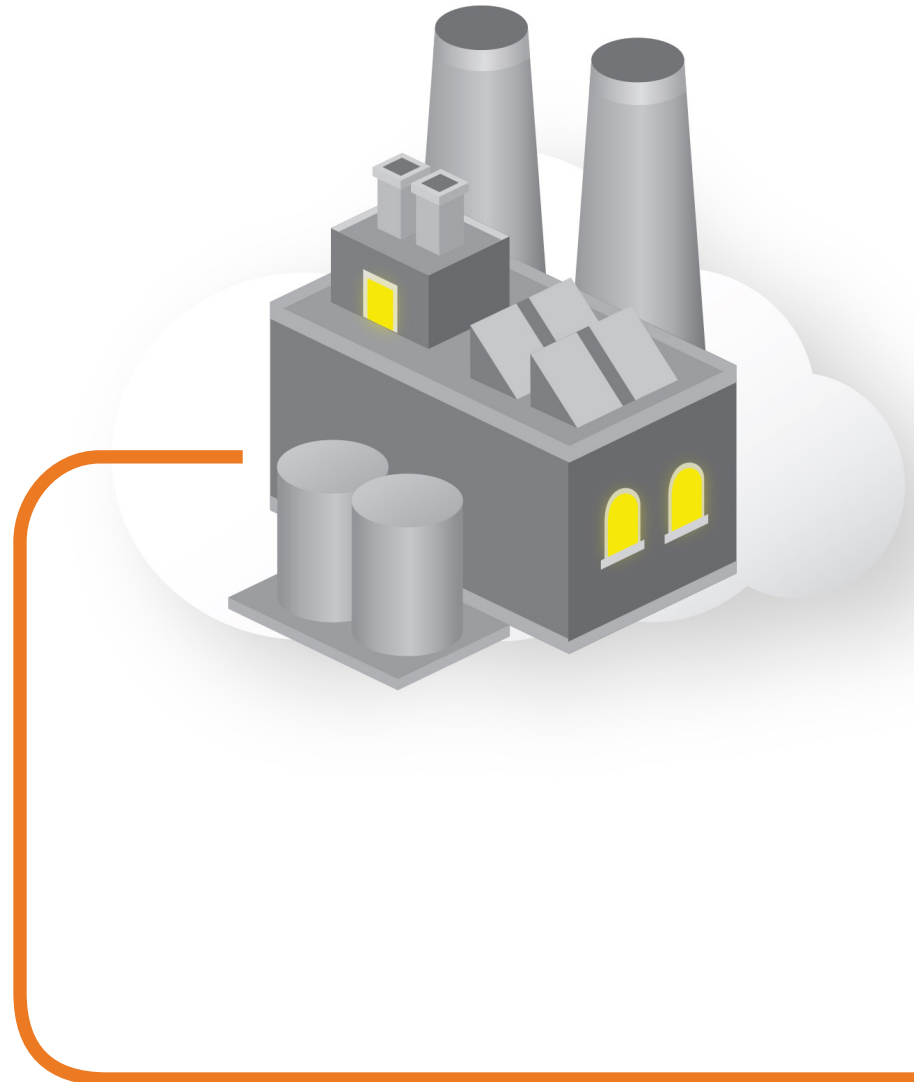
## The New Age of E-Commerce

E-commerce came of age this year. Amazon and eBay are 20 years old, total online sales set another new record and brick-and-mortar retailers advanced their omnichannel value proposition to the point where discerning between an online and in-store sale has become impossible and irrelevant to shoppers.

As e-commerce matures and evolves in new and unexpected ways, the relationship between retailers and suppliers has become extremely dynamic. Branded manufacturers and product suppliers today enjoy seemingly limitless options to engage, influence and connect with customers to satisfy consumer demand.



New marketplaces emerge regularly, social media sites and search engines add buyable functionality and suppliers sell directly to consumers. Collectively, these transformative changes represent a stark shift from the not-too-distant past when distribution of a supplier's product was dependent on retailer relationships, an ability to fund marketing and access to a finite amount of shelf space.

Those factors still matter, but e-commerce and digital innovation have created new opportunities and challenges for manufacturers and suppliers. ChannelAdvisor teamed up with *Retailing Today* for a first-of-its-kind research project to better understand these new e-commerce dynamics.

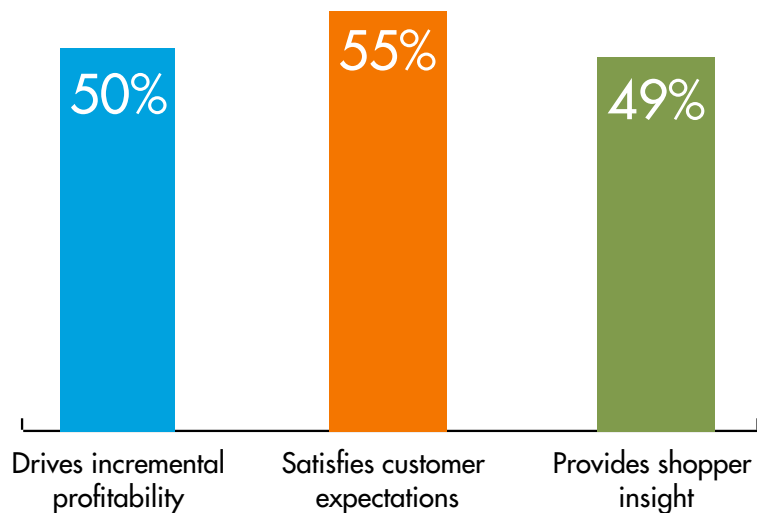


For the inaugural report, **E-Commerce for Branded Manufacturers and Suppliers**, *Retailing Today* surveyed 347 branded manufacturer and supplier company representatives on a range of issues related to the changing retail landscape, new methods of distribution and key operational challenges.

Among the key findings contained in the **2015 report**:

-  An overwhelming majority (**93%**) of branded manufacturers' and suppliers' products are sold online, and **nearly half** of the companies surveyed sell directly from their own websites.
-  Branded manufacturers and suppliers report benefits of selling direct such as incremental profitability, better satisfaction of customer expectations and an ability to glean new consumer insights. However, concerns linger about channel conflict with established retail partners and new operational challenges have arisen.

When asked to identify **ALL** benefits of selling online, survey participants agreed on these top three:




### Manufacturers and Suppliers Suffering from Digital Insecurity

One of the byproducts of the rapid change of pace in the retail industry is that the definition of “best practices” has become varied and fleeting. Against a backdrop of constant innovation, branded manufacturers and suppliers face new challenges when it comes to benchmarking against traditional competitors and startups. Now, instead of being readily able to identify strengths, weakness, threats and opportunities, these companies are experiencing dread and inadequacy when it comes to their digital efforts. These emotions were highly evident in the E-Commerce for Branded Manufacturers and Suppliers report.

For example, **nearly three-fourths** of respondents feel that they are behind the competition when it comes to e-commerce. A similar percentage disagreed with the statement that their company is an early adopter of new technologies to drive online sales. This view was evident when branded manufacturers and suppliers were asked about mobile and **more than half** (54%) of those surveyed admit that their company does not have a mobile strategy.

Despite some feelings of inferiority relative to competitors, an **overwhelming majority** (84%) agreed with the statement that the growth of e-commerce has been good for their company's business. A large majority (59%) also believe that most brands will sell directly to consumers in the future even though the subject of channel conflict remains contentious.

 Most branded manufacturers and suppliers (**60%**) expect to sell directly to consumers. Those who are already doing so have an opportunity to grow, with **67%** of branded manufacturers and suppliers who sell direct reporting that direct sales represent less than 10% of their total sales.



### Selling Direct: Perception Versus Reality

A fundamental shift involving branded manufacturers and suppliers selling directly to consumers has unfolded steadily during the past decade and reached an important tipping point. **Nearly half (48%)** of suppliers surveyed said their company now sells directly to consumers from their company's own website. The trend appears to be gaining momentum as issues related to channel conflict have begun to diminish.


The trepidation previously felt by many has begun to fade and the direct movement has gained momentum, with **60%** of those surveyed agreeing with the statement that most brands will sell directly to consumers in the future.


The appeal of direct sales is evident in the benefits branded manufacturers and suppliers who already sell directly to consumers are realizing. For example, the nearly half of survey respondents who said they sell direct expressed high levels of agreement with the statements that doing so had driven incremental profitability, satisfied customer expectations and provided a new source of shopper insights.

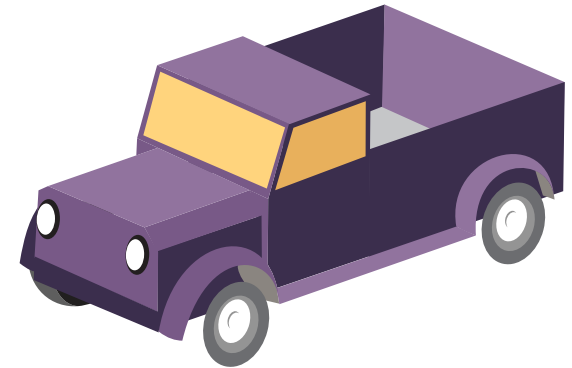
As for the issue of channel conflict, it is no longer the point of contention with trading partners that was once feared. For example, many branded manufacturers and suppliers expressed the **highest possible levels of disagreement** with the statement that selling direct had caused conflict with retail accounts. Even though those who already sell direct have not experienced channel conflict-related issues, the perception of channel conflict lingers among all survey participants. Large numbers (63%) of branded manufacturers and suppliers agreed with the statement that "my company is concerned about the issue of 'channel conflict' that arises when brands sell direct and compete with retailers authorized to sell our products."

In addition to the angst associated with the uncertain reaction of retail partners, selling direct can cause other sources of discomfort. In fact, many branded manufacturers and suppliers strongly agreed with the assertion that selling direct has created new operational challenges. Foremost among these was information system shortcomings, an area in which branded manufacturers and suppliers said selling direct had revealed deficiencies.

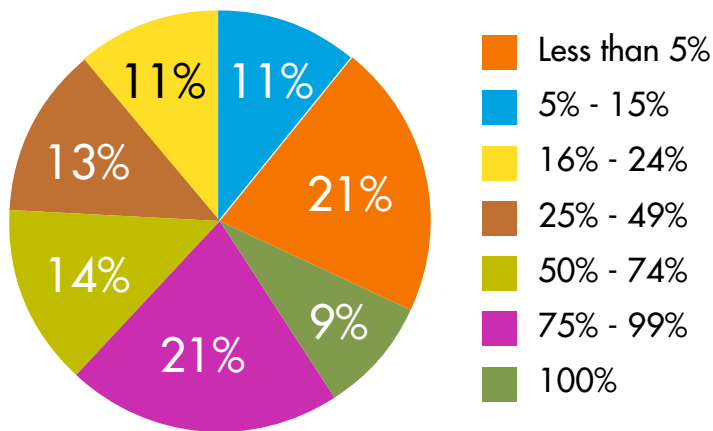
While direct sales has gained momentum, it remains a relatively underdeveloped distribution strategy, with **45%** of respondents selling direct indicating it accounts for less than 5% of their total sales. However, for others, going direct is a more productive approach. Nearly 22% said direct online sales represented 5% to 10% of total sales and another 9.2% of respondents said their companies' online direct sales were in the 11% to 19% range.

 Mobile is a weak spot. **More than half** of those surveyed said their company doesn't have a mobile strategy and an even higher percentage fear their company is not an early adopter of new technologies.

 Amazon rules. Nearly **85%** of branded manufacturers and suppliers identify Amazon as an authorized reseller of their products, with **44%** indicating that Amazon sells more than half of their entire product catalog. Even so, **72%** of branded manufacturers and suppliers contend physical stores give retailers an omnichannel advantage.



Percentage of respondents' product catalog that Amazon sells



### Suppliers Embrace Amazon

Amazon owns an assortment advantage among retail competitors, thanks in large part to product suppliers who have embraced the pure play giant as a high value distribution channel. Through direct sales to Amazon, nearly **85%** of branded manufacturers and suppliers who sell their products online identified Amazon as an authorized reseller.

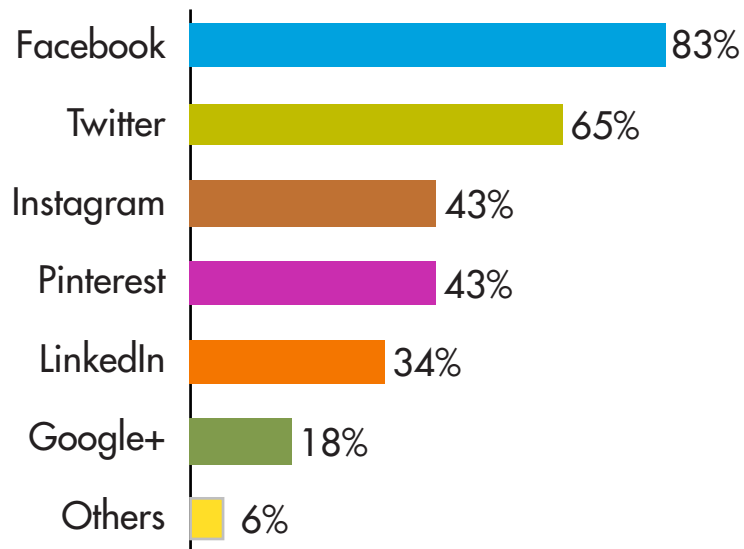
The extent of suppliers' product offerings **varied widely**. While a sizable group (21%) said less than 5% of their product catalog is sold on Amazon, another 44% reported that Amazon sells more than half of their entire product catalog.

Even as branded manufacturers and suppliers have embraced Amazon as a distribution channel, a large majority still view traditional retailers' physical presence as a strength. **Nearly three-fourths** of those surveyed agreed with the statement that "traditional retailers' physical stores give them an omnichannel advantage over online-only retailers."



Suppliers are active on social media, especially **Facebook**, promoting brand awareness and customer engagement but not reacting to complaints.

### Social media platforms that branded manufacturers and suppliers use



### Nine Ways Suppliers Use Social Media

When consumers have a bad experience with a brand or a retailer, turning to social media to vent is a common reaction and the negative consequences can be dramatic.

That's why it's not surprising that "protecting my company's brand image" was mentioned as the **biggest e-commerce-related challenge** that surveyed companies face. What is surprising, then, is that social media isn't being used more extensively to respond to customer complaints. In fact, responding to customer complaints ranked last when suppliers who sell online were asked about their primary uses of social media. It was mentioned by only 32% of respondents.

Conversely, the predominant motivation for social media usage among branded manufacturers and suppliers involves the three interrelated objectives of promoting brand awareness (**80%**), driving customer engagement (**70%**) and fostering brand loyalty (**60%**). Other interesting uses of social media by survey participants in the order in which they were mentioned included: grow online traffic (52%), acquire customers (51%), drive traffic to retail partners (39%), distribute offers (39%) and generate trial usage (33%).

As for the most popular social media platforms, Facebook was the clear leader, mentioned by **83%** of respondents, followed by Twitter (65%) and Instagram and Pinterest (both at 43%).

**Methodology:**

The E-Commerce for Branded Manufacturers and Suppliers Report survey was conducted by *Retailing Today* during a nine-day period from June 9 through June 17. A total of 347 completed surveys were received from supplier company representatives whose companies ranged in size from more than \$10 billion in annual sales to less than \$100 million. Survey participants represented a broad spectrum of product categories including food and consumables, office products, toys and games, home and garden, health and beauty, sports and outdoors, apparel and accessories, and consumer electronics. More than half (52.2%) of respondents indicated they have worked in the consumer goods industry for more than 15 years.

**About ChannelAdvisor:**

ChannelAdvisor (NYSE:ECOM) is a leading provider of cloud-based e-commerce solutions that enable retailers and manufacturers to integrate, manage and optimize their merchandise sales across hundreds of online channels including Amazon, Google, eBay, Facebook and more.

**About *Retailing Today*:**

*Retailing Today* is one of the nation’s oldest media property focused on the top retailers, consumer-packaged goods companies and providers of services to the retail industry. Founded in 1962, *Retailing Today* provides the market it serves with news, original content, thought-provoking perspectives and topical special reports. Contact: Mike Troy at [mtroy@retailingtoday.com](mailto:mtroy@retailingtoday.com). URL: [www.retailingtoday.com](http://www.retailingtoday.com)

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