

# Digital Trade Marketing

Insights from Global Brands on the Next Frontier in E-commerce



# Executive summary

## OPPORTUNITY:

Brands are spending more to reach online shoppers, while retailers control the critical moments of purchase.

By working together, brands and retailers can improve the consumer journey through to conversion.

With the new battleground for consumers online, brands are looking for more ways to reach them in moments that matter. Many of these critical moments happen at the end of the consumer journey on retail sites. With the proven track record of trade marketing and the absolute priority of digital, brands are ready to invest in digitising trade marketing and they're looking to partner with retailers.

E-commerce is the **fastest growing** sector in retail



Trade marketing is a **€465 billion** industry <sup>1</sup>

€465bn

Digital marketing represents **€158 billion** in annual ad spend <sup>2</sup>

€158bn

1. Estimate by Boston Consulting Group 2012

2. Emarketer: <http://www.emarketer.com/Article/Advertisers-Will-Spend-Nearly-600-Billion-Worldwide-2015/1011691>

## INSIGHTS:

The world's top brands are starting to invest in digital trade marketing, and they're eager to do much more.

By gathering high-level, in-depth insights from 15 marketing leaders from global brands, we were able to isolate the vast opportunities for retailers, the barriers to overcome, and the best practices that are beginning to emerge. This report provides our findings, including starting steps for smart, successful adoption strategies.

### BRANDS ARE CHALLENGED BY:



Learning curve



Data anxiety



Lack of clear options

### BRANDS ARE READY FOR:



Closer partnerships



Knowledge sharing



New tailored solutions

## CONCLUSION:

It's quick and easy to get started, with low barriers of adoption and potential for massive gains.

Digital trade marketing is a vast opportunity that requires immediate action for retailers. With brands willing to share insights and shift online media spend into digital trade marketing, retailers can help them break down barriers to entry through closer collaboration and by leveraging existing programmatic technology.

### RETAILERS CAN BENEFIT FROM:



Incremental revenues and budgets



Unlocking larger spends



Gains in market share



# About Digital Trade Marketing

Digital Trade Marketing is an opportunity for brands and online retailers to work together to close the marketing gap at the end of the consumer journey and seize critical moments of influence directly at the point of sale.

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# Introduction: The new retail reality

Constant connectivity has transformed shopping behaviours and given the retail industry a radical makeover. Consumers can take instant action, whenever and wherever they want to learn, find, or buy something.

With device dependence high and patience low, the importance of delivering the right campaign on the right screen at the right time is more important than ever. This is why we refer to these interactions as moments that matter.

64%

of UK online consumers are influenced by what they see **online** from retail companies, compared to **61%** who say they are influenced by what they see **offline**.<sup>3</sup>



65%

of UK smartphone users regularly **turn to their devices** for ideas while doing a given task, like finding how-to information when cooking, exercising, or making repairs.<sup>4</sup>



48%

of French smartphone users agree that the last time they used their smartphone while shopping in-store, they found information that **impacted their purchase** decision.<sup>5</sup>



44%

of Germans have thought about **purchasing a brand** they would not normally consider because of **relevant information** available on their smartphone in the moment.<sup>6</sup>



3. Source: Ipsos Moments that Matter Research EMEA, June 2015, UK

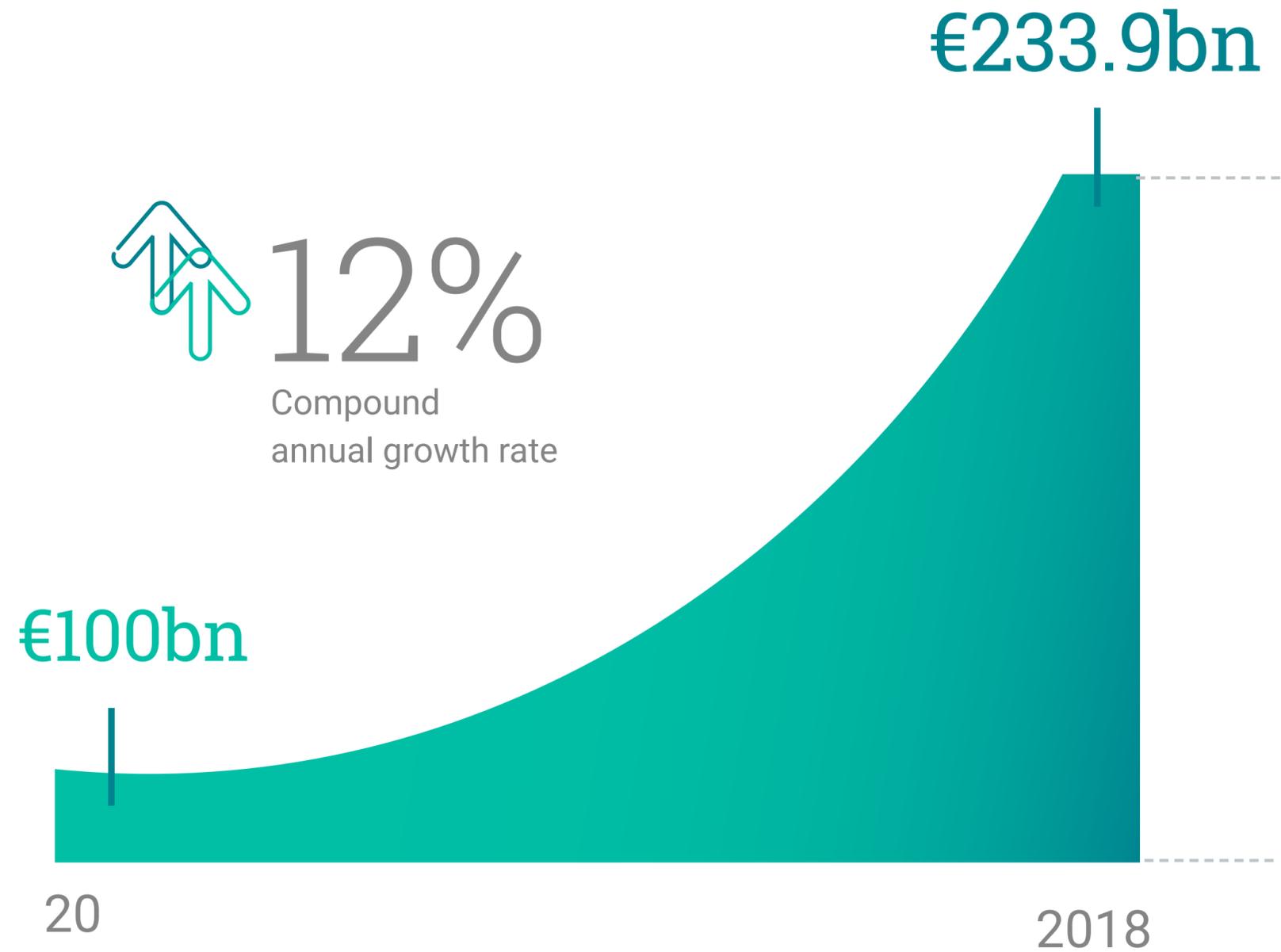
4. Source: Ipsos Moments that Matter Research EMEA, June 2015, UK

5. Source: Ipsos Moments that Matter Research EMEA, June 2015, France

6. Source: Ipsos Moments that Matter Research EMEA, June 2015, Germany

All this constant connectivity is driving growth in e-commerce. It's the fastest-growing segment of retail, and the UK is leading the charge with almost **15%** of all UK retail sales happening online.<sup>7</sup>

According to Forrester, online retail sales are expected to climb across Europe by about **€100 billion** from 2013 with levels to reach **€233.9 billion** by 2018—a **12%** compound annual growth rate.<sup>8</sup>



7. <http://www.emarketer.com/Article/UK-Retail-Ecommerce-Sales-Reach-60-Billion-This-Year/1012963>

8. <http://www.computerworlduk.com/news/it-business/uk-outstrips-us-europe-in-online-sales-shows-forrester-figures-3523253/>

# Taking trade marketing online

As the shift to e-commerce continues to impact retailers, the companies who rise above will be those able to meet consumer needs in each moment that matters.

In traditional retail stores, retailers help brands capture these moments by creating trade marketing strategies. Digital trade marketing has the same goal – think of promotions, product demonstrations, and in-store displays, but translated to the online shopping experience – plus the efficiencies, rich media content, precision targeting, and the ability to iterate and optimise in real-time that digital marketing provides.

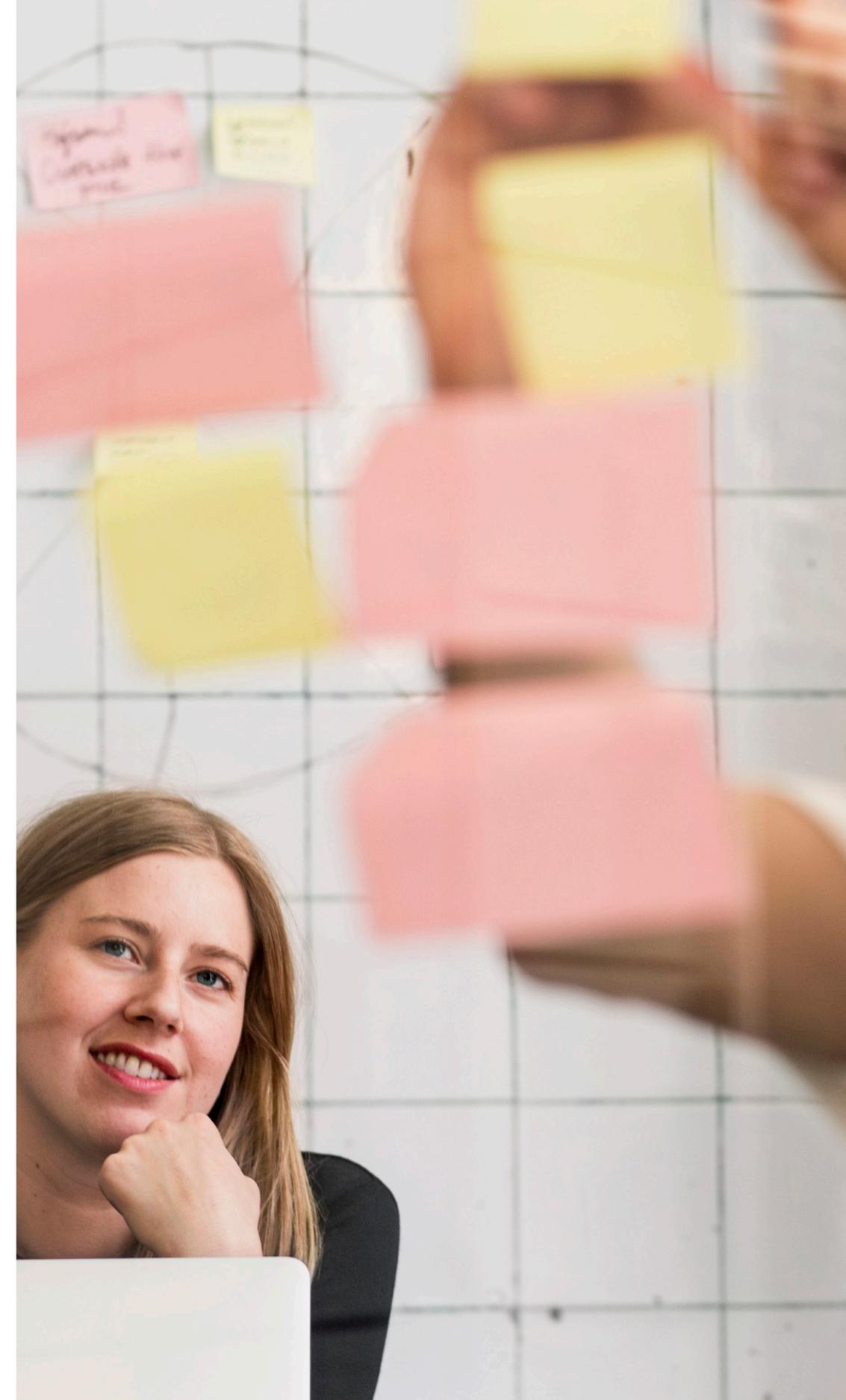
“Our vision is that any consumer or shopper, in less than 4 clicks, can move from knowing the brand to buying the brand.”

## A large global brand

Digitising trade marketing presents a huge opportunity for retailers to work with brands to boost sales and optimise the online consumer journey, specifically around getting to the point of conversion as seamlessly as possible.

So how can retailers capitalise on this opportunity? And what are best practices for entering this space?

We performed in-depth interviews with 15 EMEA-based senior marketers, trade marketers, and e-commerce specialists at 12 of the largest FMCG and Consumer Electronics companies in the world to find out. These brands represent an aggregate advertising spend of more than **€18.2 billion** on a global basis and are amongst the largest spenders on marketing. This report presents insight into how some of these leading consumer brands are adjusting their marketing strategies to digitise trade marketing, and the best practices that are starting to emerge in this up-and-coming marketing segment.



# The brand view: There is a will, if not yet a way

The brands we spoke to are beginning to shift towards digitising trade marketing, but they're far from optimising their approach. It's described as "an afterthought" at worst and at best as "an environment that we are just at the beginning of understanding." Yet they funnel a great deal of their spend into both trade marketing and digital marketing, showing great confidence in both.

## Brands don't doubt the value of trade marketing.

Traditional trade marketing accounts for over **€465 billion**<sup>9</sup> of global spend, almost comparable in size to the global advertising market, which currently stands at **€529 billion**.<sup>10</sup>

**€465bn**

Traditional  
global spend

**€529bn**

Global advertising  
market

## Brands also don't doubt the value of digital marketing.

In fact, the brand manufacturers we spoke to tend to over-invest in digital media relative to their online sales. This is because brands understand that their online media presence impacts both online and offline sales. They're also committed to finding new formulas for online success, which they view as mission-critical.

9. Estimate by Boston Consulting Group 2012

10. <http://www.emarketer.com/Article/Total-Media-Ad-Spending-Growth-Slows-Worldwide/1012981>

"With many brands targeting baby-and-mum markets, our customers spend a disproportionate amount of time online. As a result, some of our budgets are almost purely digitally focussed."

**A large global brand**



Their high levels of investment both in trade marketing and digital marketing show that brands are strategically investing in critical segments of the consumer journey: the online experience and the point of sale. Prior to digital trade marketing, the two have been mutually exclusive.

### Key takeaway:

Brands are maxing out their limited choices to connect with people at critical moments.

What we are left with is a brand experience focused heavily — and separately — in online presence and offline sales. For consumers who shop online, this effectively creates a break in the brand experience in the final stage of conversion. This “break” is what brands want to address by developing better practices for digitising trade marketing.



“The consumer might showroom or do reverse showrooming, so we need to be able to cater to both. They might start the journey on our brand’s .com or in the store. To be sure that they choose our brand through whatever channel, we need to be consistent across search, our .com and both the online and offline stores.”

**A large global brand**

# The retail opportunity: Taking the reins

Despite their strong commitment to digital and a strong belief in trade marketing, most of the brands we spoke to indicated that the online portion of their trade marketing spend was quite small:



**Two** said “**very small**”



**Three** said less than **5%**



**Three** were in the “**10-20%**” range



**One** said **30%**



**Three** didn't know

Why such low numbers? Our findings indicate that brands still view digital trade marketing as very much a work in progress — and they're right.

This is where retailers come in. With the market as yet largely undeveloped, there is a tremendous opportunity for retailers to partner closely with brands to build out richly successful solutions for digital trade marketing at scale.

For most retailers, e-commerce is the fastest-growing sales channel. All of the brand manufacturers we spoke to said that they want to be seen as supporting that growth in any way they can. They also expressed a desire to work more closely with online retailers to ensure a better, more targeted experience, and ultimately improve conversions. The brands are on board, but it's the retailers who hold the reins.

“We would like to do more. All the money that is spent on digital media is around awareness, branding and engagement feeding into a CRM program. We would like to work beyond that and get to the conversion part.”

**A large global brand**



# Early adopters show promising results

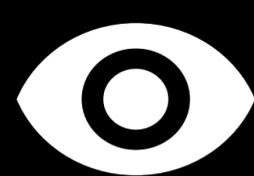
Those who are investing in digital trade marketing are already seeing impressive results. Here are a few examples from the French market:

A campaign with a major multi-channel Electronics retailer and a major global Electronics brand achieved a 2.5x uplift in “add to cart” of the advertised products and a **3x uplift in sales**, compared to the previous period without activation.

A campaign with a FMCG retailer and a major global FMCG brand resulted in a **3x “add to cart” uplift compared to a test group with no activation**, and a 50% increase in “add to cart” compared to a standard activation test group (using masthead banners placed on native category pages).

A campaign with a FMCG retailer and a major global FMCG brand saw a **2x uplift in click-through rates** thanks to audience targeting based on relevant shopper segmentation (e.g. shoppers of baby products) compare to a conventional activation test group (using masthead banners placed on native category pages, shown to every shopper).

A campaign with a FMCG retailer and a major global FMCG brand saw **50% market share growth** of advertised products within their category.



**3x**  
uplift in sales



**3x**  
Add to cart  
Uplift



**2x**  
Click-through rates  
to audience targeting



**50%**  
Market share growth



**As WPP's CEO Sir Martin Sorrel recently said at the 2015 DMExco:**

“The next area we see a great shift is in the balance of power between retailers and manufacturers and how that is potentially changing. In the last 20 years the retailers had the power – today that is changing. The direct relationship you can establish online with the consumer directly is critically important. Manufacturers for the first time have the ability to correspond and relate directly to the consumer. The threat is Amazon, Alibaba and eBay becoming the new Walmarts, Carrefours, or Tescos - establishing direct relationships with consumers.”

# Key benefits for retailers

Digital trade marketing programs benefit online retailers in three major areas:

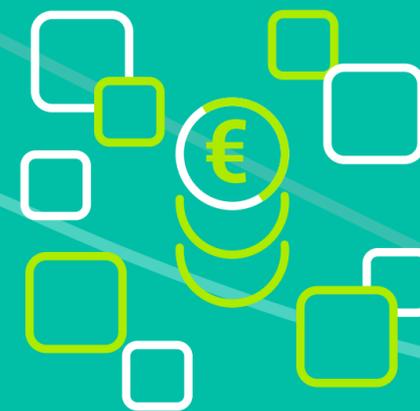
## 1. Incremental revenues and budgets, both from existing brand partners and from new, smaller brand advertisers

Retailers can expect revenues to improve due to better targeting and more conversions, which in turn drives incremental budgets. There is also an opportunity for retailers to get additional revenues by expanding their base to include smaller advertisers who were previously limited by high minimum spends of traditional trade marketing.



## 2. Increased trade marketing spend

Our findings report that brands intend to dedicate digital media resources towards digital trade marketing rather than pull spend from other trade marketing efforts, resulting in an overall increase in their trade marketing spend. One large global brand stated they were considering reallocating 5% of their media budget to digital trade marketing for 2016, to wherever they can show the best conversion results.



## 3. Protecting market share and consumer relevance against emerging competitors

With online as the key battleground for consumers, offering digital trade marketing programmes will defend retailers against a loss of market share to pure-play online retailers who are already offering digital trade marketing programs, such as Amazon. (All of the brands interviewed reported working with these retailers, where all of the trade marketing activity was online, and Amazon was the most frequently mentioned partner.) It will also enable retailers to maintain their stake in the consumer relationship by extending their existing relationships with brands.



# Key opportunity factors and the role of metrics

In order to max out the benefits of digital trade marketing solutions, retailers must first understand the limitations that may affect a brand's digital spend. The amount our interviewees spent on digital varied widely with each retailer based on several key factors:



Retailer's market share



Strength of their relationship with the retailer



Importance of being visible on that retailer's site



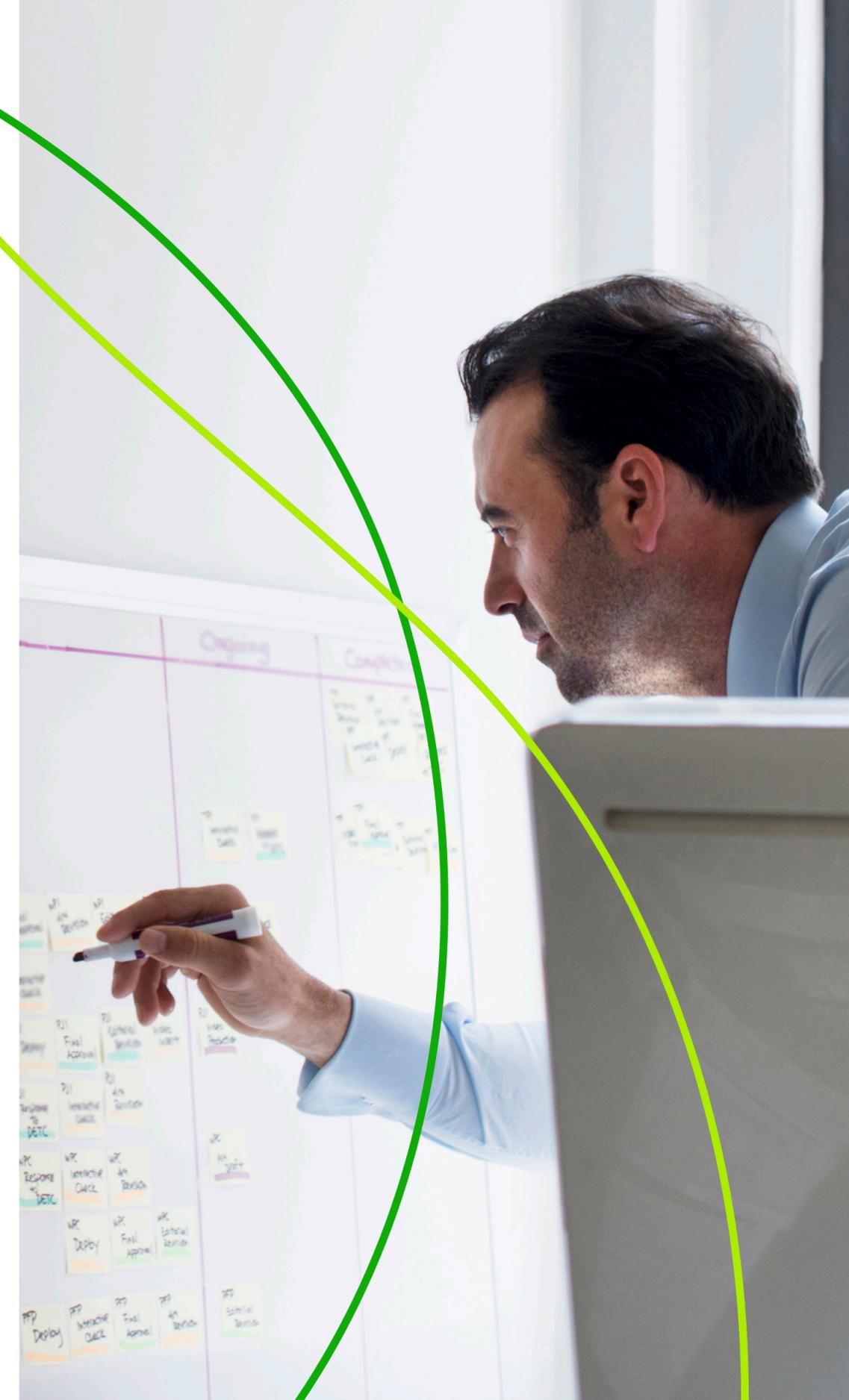
Degree to which the retailer was digitally knowledgeable

In the most important relationships, the digital marketing spend was estimated at 10-20% of the total marketing spend.

Perhaps even more valuable than the factors they noted is something they categorically left out. None of our interviewees mentioned the ability to demonstrate performance. The reason for this is quite simple: it's not typically available. Brands operate largely in the dark when it comes to performance metrics, and it limits their spend. As one interviewee stated: "We do not get enough data to shape the long-term digital strategy for the brand."

Performance metrics can play a large role in unlocking spend. When we asked our interviewees about opportunities to tap into incremental brand budgets, the response was clear: Retailers can gain incremental trade marketing budgets from brands in digital if they can prove performance. Metrics are a large part of the opportunity for retailers to grow overall trade marketing revenue, as well as to fund efforts to grow sales.

With metrics linked to purchases, rather than just to intent and engagement, online retailers can bring key differentiators over traditional digital media options with publishers. Retailers also have the ability to innovate with one-to-one digital trade marketing campaign formats not available in traditional offline stores, made possible by programmatic technology. In 2015, Asda put this methodology into action by launching UK media designed to enrich the online customer experience by putting the right ads in front of the right target audience, while accurately measuring campaign effectiveness.



# Barriers to growth: Understanding what brands are facing

## Challenges specific to trade marketing

Brands are no doubt eager to begin digitising trade marketing strategies, but the greatest of their hurdles revolve around the reality that this is an entirely new area and to establish it will take changes and developments at the organisational, partnership, and individual level. Specifically:



### Organisational silos:

Traditional trade marketing is handled in the sales department and the marketing team manages digital marketing. All of the brands we interviewed faced this problem, causing a range of breakdowns in campaign coordination, knowledge sharing and collaboration. They're working to address the problems by adding e-commerce specialists and working more closely with digital marketing teams to coordinate and transfer knowledge.

### Limited skills:

Sales departments often lack the digital skills that the marketing teams have invested more heavily in, on both the retailer and brand side. More than half of the brands we spoke to said this kept them from spending more on e-commerce.

### Campaign objectives and KPIs:

Digital trade marketing requires a brand-new approach to defining and measuring objectives and KPIs that are different from offline and digital media.

“In the past, digital colleagues would meet up ad hoc with the rest of the shopper team, but now we meet regularly so our online team can advise us on campaigns, and we can apportion budget accordingly.”

**A large global brand**

# Data anxiety and the need for a common language

**100%** of the brands we spoke to stated that the main barrier to investing in digital trade marketing was a lack of metrics, creating a sense of anxiety among brands and an inability to justify their spends. As one respondent put it, "It is a challenge to make the case without the data."

## Brands mentioned several perceived reasons for not receiving metrics:

- Commercial sensitivities and trust barriers
- Perceived lack of resources or know-how
- Perceived fear that the performance would not be impressive enough
- Perceived competitive advantage in retaining metrics

*Some brands said they often had to purchase metrics*

Thanks to technology, there is no shortage of metrics around online conversions and shopping behaviour. However, brands and retailers need to work together to identify the metrics that matter and define what they mean to each other – creating this common ground will be a vital basis in a successful collaboration.

"We're trying to grow the category, and if we can understand how consumers are behaving and optimise trade marketing activity in flight... it would unlock so much more spend by understanding how we should tweak and adjust activities as they are taking place."

**A large global brand**





# Lack of clear packages

The final barrier mentioned by brands was that even if they wanted to invest more, they don't feel they have clear, compelling offerings to choose from. In buying traditional trade marketing, they'd simply look at a catalogue. Digital trade marketing, however, is in such early stages that everything available is essentially made to order. While there are benefits of customising new solutions to meet individual needs, it can be overwhelming and intimidating to start from scratch.

For some brands, the lack of clear package options also boils down to a perception that retailers are too bound to conventional thinking to develop them, and are instead extending traditional trade marketing paradigms to online. When in fact, both brands and retailers have a great opportunity to capitalise on the innovative, flexible, low-cost and iterative nature of digital marketing to develop a tremendous range of packages.

## It's more than media space

Conventional thinking dictates that online trade marketing is another media buy, but the brands we spoke with see it as grounds for innovation to improve the brand experience and lift sales. They would be interested in packages featuring:

-  Rich media and innovative content formats
-  Being able to reach the right person at the right time
-  Unlocking the promise of mobile and integration with programmatic

# Emerging best practices: Takeaways for retailers

Despite the current barriers, brands have an overwhelming desire to forge ahead. Our in-depth discussions with top brands surfaced the current methods they are trialling, the capabilities that are working for them, and what they're bringing to the table to meet their goals. Below, we summarise the findings to present key takeaways for retailers.

## Top trial methods

To get an idea of the current landscape for digital trade marketing, we asked each brand to discuss the top methods they are currently testing. Most purchase an "online promotional package" that includes display, sponsored search, shop in shop, and other promotional elements. Display ads and banners are currently the most popular purchase they make, likely due to their existing prevalence and familiarity as a digital marketing tool. Brands are also experimenting with several methods that drive traffic directly to partner retail sites, such as sponsored search and third-party retail locators.

### Key takeaway:

Brands are focused on display ads, but are experimenting in a range of existing solutions, several of which directly drive leads to retail partners.

## Favoured retailer capabilities

We also asked brands to tell us about the most effective capabilities that retailers offered. What we learned is that retailers can add significant value to their programmes and distinguish them as innovative or useful by leveraging metrics to enhance the shopping process. The most valuable capabilities mentioned relate to engaging consumers with prompts tailored to their products, suggestions tailored to their choices, and messaging tailored to their context, such as location or time of day.

### Key takeaway:

Retailers can add value and services by leveraging metrics to engage with consumers.

## What brands are ready to do

The eagerness of the brands to continue to experiment and explore this segment further sweetens the pot for retailers. For one, brands are in the process of reorganising and rethinking their approach to trade marketing, creating room for retailers to have valuable input and redefine their relationship. Several brands mentioned that they are already pooling CRM data with retail data to enhance targeting, and they're willing to share their consumer behaviour insights as well. The ideal state, as described by one brand, is: "liquid data that comes from retailers in a collaboration between retailers and brand." Brands are also ready to invest in new solutions that use branded content, tailored messaging, and rich media designed for this space.

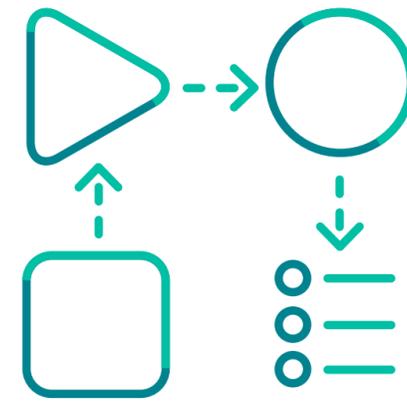
### Key takeaway:

Retailers can take advantage of new opportunities for closer partnerships, knowledge sharing, and revenues from new solutions.

# A win-win collaboration: Recommendations and next steps

Digital trade marketing is much more than promotions and display advertising – it's about precision marketing that delivers the right message to the right person at the right time. For retailers, it's more than a shift from offline to online – it's a mindset shift from being a provider of retail space to being a marketing partner to brands.

If there is one message that came through clearly from the brands we spoke to, it was their belief that collaboration with retailers will yield a win-win. Below, we've summarised the top recommendations for retailers in approaching a new collaboration.



## Sharing knowledge

As we heard from our brands, a cornerstone of successful partnership is the ability to share metrics and insights to help improve campaigns, learn together, and test new methodologies and creative solutions. Knowledge sharing enables more targeted and efficient campaigns, and is crucial for providing brands with the proof of performance they need to unlock spend and prioritise trade marketing investments.



# Leveraging technology

Programmatic technology can help enable and improve collaborations between brands and retailers, allowing for significant benefits in several key areas:



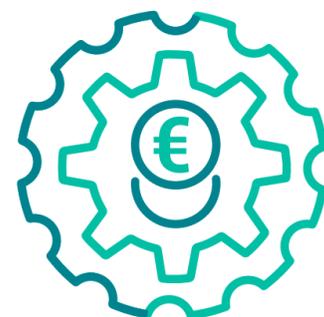
## Targeting:

Retailers can significantly enhance the value they deliver by combining first party data with brand data to improve audience targeting, bringing the right creative at the right time to the right customer. It also enables promotion types not possible offline.



## Real time:

Programmatic unlocks the power of the moment, enabling optimisation of campaigns in flight. Whereas campaign performance is traditionally assessed after it's finished, now campaign investments can be adjusted based on real-time measurements of which creative produces the best performance.



## Automation:

The automation of the buying process means teams spend less time and resources on operational tasks, enabling them to focus on strategy and innovation.



## Brand safety:

Through private marketplace deals, retailers can ensure that they only open their inventory to trusted brands and limit the risks of impacting conversion rates.



## Developing new solutions

Brands will be looking for new, innovative ways to connect their digital campaigns to the point of purchase online. By using existing technology, retailers are poised to provide a great deal of variety in terms of rich media formats, spaces, and packages with very few resource requirements. Empowered with new choices and more metrics, brands will be able to invest in solutions that work best for their products.

When all of this adds up, retailers who partner closely with brands to develop and optimise digital trade marketing solutions will deliver a more curated customer experience, improve their relationships with top advertisers, and grow revenues through improved conversions and bigger budgets.

## Next steps: Putting it into practice

Thanks to the insights of top brand marketers, the barriers to full-scale adoption are clear. Fortunately, the steps to overcome them can be as simple and fast as they are rewarding. Below, we've outlined recommendations for piloting new digital trade marketing strategies and tips to evolve to full-scale operations.

### Here are four first steps to get started:

#### **1. Build the right partnership**

Identify savvy brands and suppliers that are ready to move with you, or are likely to be intrigued by building innovative campaigns online that wouldn't be possible offline.

#### **2. Define your shared goals**

Determine the campaign approach and KPIs that deliver value for both you and your brand partner. (Incremental sales and increased visits to supplier product pages are top priority, and market share gains are a goal a brand would prize highly.)

#### **3. Leverage your ad tech wisely**

Rely on your ad tech to help you get the most out of the campaign. Even basic ad tech can deliver huge benefits, whilst more advanced technology with decision-making capabilities can help you gain even more.

#### **4. Keep innovating**

Assess the results of your campaign and use the learnings to further optimise your next trade marketing successes.

# Appendix:

## Interview Participants:

Groupe SEB

Henkel

HP

Kronenbourg

Samsung

Unilever

