



Adventures in ecommerce

YOUR LONG TERM ECOMMERCE STRATEGY FOR MARKETPLACES AND WEB STORES

**How to build resilience for the future,
whatever the weather**





INTRODUCTION

This ebook outlines a 5-step plan for defining and executing a long term strategy for your ecommerce business, covering marketplaces like Amazon as well as web stores.

It was very difficult to think long term during 2020. While the year started innocuously enough, by late March or early April many of the world's largest economies were in lockdown, with all but essential outlets closed. People went online in greater numbers and with reduced loyalty to brand names.

People lost jobs or were furloughed, and tens of thousands sought to protect their livelihoods by starting to sell online. Businesses shuttered, jumped online as quickly as they could, or leveraged their pre-existing online channels for all they were worth. Those who were in categories that you could consume or use in house and home thanked their lucky stars and grew very quickly. Many others did not.

At the time of writing, England is back in lockdown, along with many other countries, peak shopping is well and truly underway, and a long, cold, hard winter awaits. That said, effective vaccines are on the near horizon which should signal a gradual easing of restrictions and a return to more predictable economic activity. Until the next period of turbulence.

In quarter 2 of 2020, ecommerce technology and service providers were inundated with urgent requests for help from brands and retailers looking not so much to embrace marketplaces as tackle them headlong and wrestle them to the ground. That demand continues as consumers continue to fuel the ecommerce surge.

At the end of the year, the one thing that loomed largest of all in the pre-coronavirus era became real. Brexit brought with it new rules for tax and customs that impacted orders, shipping and the customer experience straight from the get go. We needed to be ready for it right then, right in the middle of peak season.

This ebook is about moving out of emergency measures and putting in place a long term ecommerce strategy that can make you robust, resilient, agile and confident in the face of whatever else the 2020s throw at us.



WHAT HAPPENED IN 2020?

Throughout 2020 we charted online marketplace and web store activity on the Volo blog. It's perhaps a slight understatement to say it was a year of extreme upheaval for the entire global economy. You may remember hearing the Q2 statistic that the ecommerce share of retail grew 5 years in the space of 5 weeks. Let's take a look at some more of the numbers that paint the year's picture:

- ecommerce will account for 31% of total retail sales in 2020. This is a 35% increase on 2019, when the figure was 19% (*eMarketer*)
- The ecommerce share of total retail sales in the 2020 holiday season is projected to be 32.2%, 16.7% up on the 'normal' holiday season of 2019 (*eMarketer*)
- The Covid-19 effect has added £5.3 billion to UK ecommerce, of which a staggering £2 billion goes to one provider, Amazon (*Ascential*)
- Amazon and eBay account for 40% of UK ecommerce – roughly 3 to 1 in Amazon's favour (*ecommercenews.eu*) – and 90+% of UK marketplace business (*Globaldata*)
- 57% of all UK shoppers buy from marketplaces (*ecommercenews.eu*)
- 63% of online shoppers start searching on Amazon (*Wunderman Thompson Commerce*)

As you might think, the ecommerce activity across the Volo platform during the year mirrored that of ecommerce as a whole. Online trading was up about a third on 2019 during Q2, settled at about a fifth higher in Q3 and is likely to end up somewhere in the mid-range for Q4 (*Volo Commerce*).

What lessons can we draw here for the rest of the decade? Much of the talk in the previous decade was about 'omnichannel', being everywhere for the customer and supporting them on all the channels they like to use during the buying process. It's clear though that the physical retail channel was still a very large portion of the pie for many brands and retailers.

The key lesson is diversification to mitigate risk. Being active across channels – without being overly reliant on one – across categories, across regions and even across suppliers and the supply chain builds in a level of resilience that allows for steady growth and quick response in the face of upheaval and uncertainty. We can't prevent another SARS-related virus outbreak, no more than we can prevent a major recession, but we can make ourselves resilient over the long term.



STRATEGIC GOALS FOR ECOMMERCE

GO MULTICHANNEL FOR RESILIENCE

Actively selling on multiple channels spreads your risk and makes you better able to overcome adverse factors outside your control. Actively selling on multiple online marketplaces provides further insurance against mishaps.

PROTECT YOUR BRAND ONLINE

Control your presence on marketplaces by protecting and promoting your own brand directly, as you would on your web store. Project a consistent image and perception across all your channels.

FOCUS ON DATA QUALITY

Data quality is an extremely important part of being found and bought on marketplaces. It's also the one aspect above all others that can delay your scaling plans across additional online channels.

AVOID CHANNEL CONFLICT

Consumers want to connect with your brand directly, and if you're not there, others will be with your products. Consumers who know and trust you will pay a small premium to interact with you directly.

ACCELERATE YOUR TIME TO MARKET

Adding numbers of listings at scale with high quality data can be manual and time-consuming, while each new marketplace can be a steep learning curve. Use specialist technology and services providers.

BE ROBUST

Adding new online channels can result in fast growth, which you need to be ready for. Pick the right system and services to automate your processes and be able to scale to your 5X or 10X growth plans.

INTEGRATE WITH YOUR EXISTING SYSTEMS

Use a single system to connect your channels to your back end business processes and centralise them, or connect your multichannel activities to your existing ERP and other systems. Automation is the key to long term scaling.

WHAT'S REALLY HAPPENING?

Don't be fighting blind when it comes to the performance and profitability of your online channels. Get one window on your data and be able to manipulate it easily for insights you can act on quickly and confidently. These are strategic objectives that can apply across all categories.



YOUR 5-STEP PLAN FOR LONG TERM ECOMMERCE SUCCESS

STEP 1 - GET AN AUDIT

How you rank the strategic goals on the previous page will depend on your specific business. Whether you're a brand or a brand retailer, which category or categories you specialise in, whether or not you're currently actively selling on marketplaces and websites, which regions you sell in; these will all affect how you rank order your objectives for long term success.

Now you need to define the best way forward, in terms of how best to address your priorities, using what resources, within what timeframe, and for what budget. Where are you now and where do you want to get to? This is when you need the specialist ecommerce knowledge and skills of what it takes to be successful on which marketplaces.

A great starting point is an outside audit of your current set-up and recommendations around the best approach for where you want to get to. You should expect to pay for this assessment, especially if the company consulting with you will be recommending other companies to deliver the solution. Alternatively, if you combine this stage with evaluating a potential solution provider, you may get the assessment for free as part of their sales process to qualify what the fit is like for what they provide.

It goes without saying that if the company making the recommendations is recommending their own solution they'll find it harder to be independent, although the good ones should tell you if your requirements are not a good fit for what they offer, since it suits neither party in the long run. You should incorporate the following into your considerations:

- What similar companies have they done this for? Can you talk to them?
- How does the recommended approach uniquely address your requirements?
- What are the key commercial and legal steps and milestones?
- How will you sell this project internally and get good early adoption?
- What are your options if things go wrong or poorly?



STEP 2 - DECIDE YOUR STRATEGY

The right balance of online channels builds the growth and long term resilience that is the subject of this ebook, and the right technology centrally manages your operations and gives you the data insight to see where you can improve. There are hundreds of marketplaces and online retailer networks to choose from, but really only a few key places where you should embark.

As we've seen, Amazon and eBay are the dominant UK marketplaces. Amazon is an extremely popular starting point for product search and it digitally influences a huge amount of commerce. With its obsession on the consumer experience it is a master of controlling that journey, using its product catalogue approach to present one listing against which sellers – brands and brand retailers – compete to win the hallowed 'buy box'. Crucially, Amazon can compete with third party sellers, which can be a cause of friction.

eBay has been losing ground for a couple years but saw an enormous uplift in new sellers in 2020 and for many is still the preferred marketplace. It too has a huge fund of experience to draw on to optimise the consumer buying experience. eBay presents the detail behind listing information using its Item Specifics and all seller data needs to be structured and optimised this way. Unlike Amazon, eBay presents many listings for each item to be found and sellers stand or fall by the quality of their data, supported by the promotions they choose and the seller status they earn.

In the UK, OnBuy has been fast gaining ground, is well funded and has ambitious global plans. Many other marketplaces cater to specific categories or are strong in a particular region. All marketplaces are united around optimising the consumer buying experience to convert first-time customers into loyal, returning customers. Unfortunately, they all differ in how they operate and the specific performance criteria they set for third-party sellers.

With your own web stores you have control over the buying process, your brand and your marketing, and a much healthier margin too. Well established web store platforms like Magento and Shopify provide you with all the functionality you need to be successful. It's down to you to develop the best brand and consumer buying experience and drive sufficient traffic to get a good return from your investment.



STEP 3 - PICK YOUR PARTNER(S)

Once you've evaluated your strategic options it's time to select the right partner for long term ecommerce success. In addition to the assessment, you should make sure that your investment covers the following elements of the partnership:

- An implementation plan with timeframes and expectations around what you do and what the partner does
- Phased onboarding of your new marketplaces and web stores
- The required services to get you actively trading
- The underlying technology to streamline the processes and provide the performance reporting and analytics
- Account management to grow the business, conduct regular reviews and make ongoing recommendations
- Technical support, covering problem resolution, upgrade/release management and any maintenance

Depending on the partner you select, different potential financial models will apply, which may include:

- One-time onboarding and set-up fees
- Recurring professional services fees, budgeted on a time basis
- Variable ecommerce technology fee, sometimes called 'revenue share' or 'success share'. This is typically a negotiated percentage of the gross merchandise value (GMV) amount, sometimes done by tiers, sometimes with a minimum monthly commitment and sometimes including account management and support
- Fixed technology fee, which is usually a negotiated flat amount regardless of GMV or order volumes. Again, this is sometimes a tiered offering
- One-time professional services fees for specific projects



STEP 4 - IMPLEMENT YOUR INVESTMENT

The secret of long term success lies in a combination of service and technology. The technology allows you centralise your operations across multiple channels and automate your processes so that you can scale profitably. That said, you don't want your technology providers to take a 'fit and forget' approach to your business, otherwise you won't get the most out of the software over time. Ongoing account management and support services give you the best practices and strategic advice necessary to keep innovating.

You can also outsource other specialist managed services to people who do this 24/7. For example, the quality of your listing data is critical to being found and being bought. Furthermore, probably because it's so important and so time-consuming to get right, we've found that data quality is the leading cause of project delay when you're adding a new marketplace or a raft of new products to an online channel.

Here is a sample of the services you can invest in...

- Data building and optimisation; getting your products organised the way consumers want to search for and buy them
- Brand and reputation management; setting up, projecting and protecting your brand(s) consistently
- Cross-border trade; localising and translating your offerings to maximise your conversions in the regions and regional marketplaces where you're competing
- Creative services; brand/identity, marketplace and web store design to enhance your visual appeal
- Marketplace and store management; covering price checking, promotion strategy, loyalty initiatives and listing revisions to maximise sales growth
- Promotions; marketing your offers and sales events through search engine optimisation (SEO) and various paid promotions and advertising
- Customer service; providing full pre- and post-sale advice and order information to your buyers to give them a great experience
- Health check; periodic and independent assessment of your multichannel business, if you're not getting this from your current providers
- Custom reporting; additional analysis and reports if your current systems don't give you the information you need, or for special projects
- Strategy; again, if you're not getting this from your current providers, regular insights and recommendations for general strategy or in specialist areas like customs, tax, regulations, currency and so on



STEP 4 - IMPLEMENT YOUR INVESTMENT (CONTINUED)

REPORTING

As we've said, technology and service are key to being robust and scaling your ecommerce business successfully. They are the backbone of your business. Equally important, however, is knowing exactly how that backbone is performing. Reporting and analytics are often tacked on as an afterthought to your ecommerce trading system, when they should really be the first thing you think about. After all, if you can't accurately measure how well your business is doing, you can't manage it.

Good reporting and analytics is about having one view of all your multichannel operations. It involves a few components: accurate data, having easy access to the data you need, having a good range of dashboards and reports to give you at-a-glance insights, and the flexibility to be able to drill down into the data so you can make good decisions across product lines, inventory, customers, suppliers, channels and regions. Invest in a good reporting system that will be your long term ally for insights on what's working well, what's not, and where the genuine growth and profits lie.

CONNECTING

Your software solution can control the processes between you and your online channels, and it can also connect with the systems of other parties in your ecommerce ecosystem to automate the flow of data into and outside your business. These providers might include suppliers, order, shipping and logistics partners, as well as accounting systems and other Enterprise Resource Provider (ERP) systems.

There is a range of operational functions that you may want your ecommerce system to handle and report on:

- Purchasing
- Warehousing
- Listing/product information
- Inventory and stock
- Marketplaces
- Web stores
- Advertising/promotions
- Cross-border trade
- Sales orders
- Pick, pack, ship/dispatch
- Customer service
- Marketing
- Back office/accounts/finance



STEP 5 - LAUNCH, MEASURE, RINSE AND REPEAT

With the first 4 steps we looked at the 'how to' process for succeeding with a blend of channels which fit your strategy and which are complementary to each other, rather than competing with each other. Strategy is nothing without execution, however, so the 5th step is about implementing a repeatable approach over time.

LAUNCH

At launch, many projects focus on one online channel at a time – a key marketplace, a new web store, or expanding to a new region – adding your most popular products and building from there, to make sure that the end-to-end process works. This is the best way to get some early wins, learn quickly and for all stakeholders to get some confidence in the project, before increasing the range of offerings.

MEASURE

Pre-launch, it's important to decide which key metrics you're going to track, so you can measure the post-launch success against your plan. Orders, GMV and consumer reviews are the traditional benchmarks, but it's also important to check the stages that happen before the online purchase to make sure you have everything optimised. Measuring early post-launch is better than waiting until later, when it might be too late to adjust.

RINSE/REVIEW

If you're planning to have the kind of reporting and analytics system we've already described, then it pays to track performance across product lines, top customers, channels, regions and even suppliers. It also pays to watch refund and return statistics, as well as slow or non-sellers, products causing undue customer service overhead, poor margin products and so on to improve long term profitability.

REPEAT/GROW

Buoyed by success and the lessons learned, it's time to repeat the process and continue the next stage of your expansion. This could involve increasing the product lines available online and adding new marketplaces and regions, as well as studying how products perform across channels. The goal is to grow incremental revenues from new channels and new customer groups while increasing your protection against the uncertainty of losing a channel. There may also be things that work well in some channels that you can bring to other channels.



TAKE THE FIRST STEP

The 2020s started with undoubtedly the most tumultuous period of economic uncertainty in living memory, the catalyst for which was a pandemic that few would have predicted. Faced with the immediate closure of some or all of their traditional selling avenues, brands and retailers jumped online or accelerated their online presence in 'every person for themselves' numbers.

We all hope that the rest of the 2020s are less eventful. Having weathered this storm, now is the time to put in place an ecommerce strategy that not only bypasses the need for future emergency reactions but sets a foundation from which to adapt and grow over time.

This is not about abandoning traditional routes to market or cannibalising other channels. It's about growing your business over time by establishing the right mix of complementary online channels and growing incremental revenues from new customer segments. It's about securing your long term business. And it's about being more agile and having more options in 2021 and beyond than you did in 2020.

The most effective way to do this is by partnering with providers of specialist technology and services for commerce across multiple channels. We've outlined a straightforward 5-step process for how you can scale safely and sustainably. Take the first step by getting in touch to set up a consultation.



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ABOUT VOLO

Volo Commerce is a leading provider of solutions for brands and retailers to scale up their ecommerce across marketplaces like Amazon, eBay and OnBuy and web stores like Magento and Shopify. Volo combines dedicated professional expertise and a highly comprehensive multichannel platform that maximises automation, data quality and efficiency for sustainable long term growth. The core ecommerce system is Volo Origin and the reporting system is Volo Vision.

Volo Commerce is a UK company dedicated to UK-based online multichannel sellers who are active both in the UK and globally. Owned by FOG Software Group, the corporate parent is Constellation Software, a publicly traded international provider of market leading software and services to a select number of industries, both in the public and private sectors.

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