Everyone is talking about the retail apocalypse

But the massive change in the industry is not so much the end as it is a reinvention of the retail model.

The rapid growth of digital marketplaces (e-commerce sites where product information is provided by multiple third parties)—such as Amazon, Alibaba, Instagram commerce, click and collect models, and food delivery ecosystems—is changing how people buy and consume products and services. Expecting convenience and immediate gratification, customers are turning to marketplaces to get what they want, when they want it. At the same time, retailers are turning to marketplaces to expand assortment and reach, launch new products faster, and improve profitability—all at less cost. With the global e-commerce market expected to be worth $24.3 trillion by 2025, marketplaces are already the next wave of retail growth.

The brand story never ends

Digital marketplaces have become an epicenter of brand exposure and experience, capturing consumer attention in ways that augment traditional channel exposure.

Case in point: 81 percent of consumers who bought a name brand product on Amazon recalled the product detail page (PDP) three months later. Yet only 28 percent remembered the television commercial. This is not a knock on television and traditional media. It signals how much digital has extended customer-brand relationships. Put simply, the creative story cannot end with traditional media. The brand essence must be present across every interaction point with customers, making it more important than ever to extend the brand story across marketplaces.

This evolution of digital marketplaces is evidenced by the success that small, agile companies are having with them. As digitally-native businesses that can evolve on the fly, these brands are capitalizing on the droves of people who are shopping on these sites. But this disruptive model requires manufacturers to transform from the top down in order to have the same agility to succeed.

This is uncharted territory for manufacturers. They need new capabilities to manage business performance and brand experience at the product level—and across countless marketplaces. With consumer demand heating up, agile competitors closing in and shareholder value on the line, building a strong digital marketplace strategy is not optional. It is an act of survival.

81% of consumers who bought a name brand product on Amazon recalled the product detail page three months later. Only 28 percent remembered the television commercial.

2. 2019 Accenture Interactive Digital Marketplace Study
Courage (and capabilities) in the face of change

The rise of digital marketplaces brings sweeping changes to how manufacturers have historically interacted with retailers and customers to distribute, promote and sell their products.

This complex mix of risks, responsibilities, opportunities and challenges has a profound—and sometimes underestimated—impact on fashion, beauty and consumer goods brands that are mired in business as usual.
**Shift in burden**

Imagine a manufacturer designs a cut of jeans that is all the rage among teens. In the old world, retailers would clamor to carry the jeans. They would place orders, stock shelves, store inventory and mark-up prices to cover costs and make a profit. After the jeans were made, the retailer did the heavy lifting.

This dynamic is flipped on its head in the world of digital marketplaces. The owner of the marketplace invests heavily in the platform and focuses on self-service models, not on curation. The partnership is essentially about improving the platform, not promoting and selling the jeans like it was previously. Not only does the manufacturer pay a commission to participate in the marketplace, but it is responsible for merchandise curation, brand experience and sales performance.

The shift is a double-edged sword. In theory, it offers manufacturers unprecedented control of brand experience and sales performance. In reality, though, most do not have the capabilities to manage their marketplace business for optimal performance. But smaller, more agile new entrants do. This leveling of the playing field resets the competitive landscape, making it harder for manufacturers to capture mindshare—and market share—for their brands.

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*Digital marketplaces account for half of all global online retail sales.*

Source: Online Marketplaces Report, Internet Retailer, 2018
Customer control

Now, consider how customers shop online for these trendy jeans. On a traditional fashion retailer’s site, most would rely on Navigation, which directs them to a narrow, fixed set of digital shelves defined and curated by the retailer. People follow the retailer’s lead to find what they want. Clicking through Kids to Teen Girls to Jeans hopefully finds the product.

But finding the jeans on a digital marketplace like Amazon or Farfetch is much different. Here, customers define the shelf. Search replaces Navigation—and what shows up is driven by a bevy of algorithms hyper-focused on finding the right match to drive conversion. There are hundreds of search term variations that people might use to find the jeans: designer jeans, juniors’ jeans, skinny jeans, ripped skinny jeans, red skinny jeans for women, jeans worn on Pretty Little Liars, and so on. The possibilities are endless and constantly shifting depending on what is trending. The reality is that marketplace shelves are not just digital. They are dynamic, and owned by the customer, not the retailer.

In this customer-driven reality, algorithms—not a brand’s prominence or its Market Development Funds (MDF) investment—determine shelf position. This is another competitive advantage for new entrants. Using data-driven approaches, they are able to quickly capitalize on a more robust understanding of what customers are seeking to level the playing field with established brands. The silver lining? These digital shelves provide invaluable insights into what people are searching for and buying. This is a welcome change for manufacturers that are used to guessing at market trends and relying on quarterly customer panels. It is also a new source of value to put customer needs at the center of product development.

Almost 90 percent of product views on Amazon come from its product search, and not merchandising, ads or product aggregators.

Source: Jumpshot, The Competitive State of eCommerce Marketplaces 2018
Mind-boggling scale

Finally, think about all of the marketplaces where the manufacturer would want to promote and sell these jeans to target customers. There are hundreds of digital marketplaces to participate in—from digital giant superstores to expertly-curated specialty platforms that fashionistas flock to for all the latest finds. And the number of marketplaces is growing every day.

This mind-blowing—and continually expanding—scale creates a gargantuan task for manufacturers in areas that are already well outside of their comfort zone. The work is daunting. Manufacturers must manage the digital assets, copy, advertising, ratings & reviews and other aspects for every PDP across every marketplace for every product they sell. The brand experience is exposed more broadly than ever. And for the first time, the manufacturer is responsible for managing it directly in the retail environment. For larger manufacturers, this literally means intelligently managing millions of assets.

This unprecedented scale and complexity are overwhelming in themselves. Add the pressure from the shift in burden and the loss of prominence that manufacturers have built up over years, and handling all of these vital marketplace management tasks can seem impossible.
Leap tall buildings in a single bound

The good news for manufacturers is that thriving in the world of digital marketplaces is not impossible.

By focusing their transformation efforts in four critical areas, they can hold the competition at bay, give sales performance a jolt, cultivate brand loyalty, and most importantly, ignite new market growth.
Operate: Manage across marketplaces

Data is the currency of success in the digital marketplace. Yet for most manufacturers, this is a weak link.

Most analyze product data in isolated silos, assessing performance with a blinders-on view of individual marketplace platforms, which tells only a fraction of the story. And their ability to consistently gather insight—and apply learnings—from search trends or ratings is often underwhelming.

To break through, manufacturers need consumer intelligence from across all digital marketplaces and the ability to act on it in an automated way at scale. This means centralizing account data and publicly available data, including competitor data. This cross-marketplace view gets overlooked but is key to maximizing product performance. To work at speed and scale, manufacturers need machine learning and artificial intelligence to power advanced rules engines that automate responses to data insight from marketing to supply chain. Managing well across marketplaces also means making significant operational changes to address the complexities of channel strategy, inventory allocation, availability and customer service in this dynamic environment.
Orchestrate: Extend and personalize the brand experience

Something is missing from the e-commerce experience. The brand. Companies spend millions on transformative brand stories told through creative campaigns across traditional media, social media and more.

But that experience rarely makes its way to the marketplaces, even though the volume of customers and the impact of the experience (81 percent recall) is undeniable. Instead, boring product images against a soulless white background are the standard for many PDPs. Companies are shockingly ignoring the value of their greatest differentiators and missing critical opportunities to connect with their customers around their unique brand story to avoid the commodity trap.

Getting the brand to the marketplace is only the first step. Brand experiences must also be fine-tuned to target consumers and markets uniquely. New innovations, such as digital twin technology, can create a single digital asset of a product that can be dynamically tailored for different regions, personas, seasons, promotions and more. This agility makes it much more cost-effective than traditional methods when numerous variations of the creative are required. It even allows for building an asset before a product is released and supports changing aspects of it later to keep pace with market or customer needs.
Optimize: Drive performance with experimentation

Nothing is static in a digital marketplace, and the positioning of products cannot be either. How do brands know if the right content, messaging or advertising is resonating with consumers?

This requires an ongoing commitment to testing and learning. While there is the evaluation of performance from a reporting standpoint today, it is typically siloed and retroactive, coming long after major investments have been made. This approach is costly—in both dollars and time—and can be avoided with much more affordable research and experimentation upfront.

By treating every product page as its own P&L, companies start by understanding the problems that are standing in the way of driving profitable growth at a new level of granularity, often discovering themes across relevant collections, categories and marketplaces. With this approach, manufacturers can hypothesize solutions based on customer insights, trends and historical data. But rather than deploying them with simply the hope that they will be successful, they can set up experiments to rapidly determine what will drive the optimal performance at scale. It is a quicker, more intelligent and more cost-effective path to profitability. One that is built on a foundation of facts, not opinions.
Originate: Discover new opportunities for growth

Digital shelves give manufacturers valuable real-time customer insights that they have never had before.

They know what customers are searching for across categories and products, what they are buying, and what positive and negative feedback they are offering in ratings & reviews.

The game-changer for manufacturers is in how they act on this gold mine of insight. Based on analysis of trending categories and shelves, manufacturers can enhance existing products or develop new ones that will satisfy an identified need among customers. They can then strategically act on these insights in different ways across different marketplaces to better forecast demand and accelerate growth. They can even evaluate acquisition targets based on current shelf performance relative to competitors.
Where is your organization in the digital marketplace evolution?

Stage 1
Expert judgement
Using basic content for merchandising, along with expert judgement to manage individual marketplaces.

Stage 2
Data driven performance
Leveraging enhanced content and A/B testing to optimize performance, along with consumer search trends, ratings & reviews to manage the brand experience.

Stage 3
Centralized management
Centralizing product data, digital assets and consumer insights to manage tailored experiences across marketplace platforms.

Stage 4
Omni-channel performance
Centralizing competitive intelligence to drive greater insights, as well as personalizing experiences and optimizing performance within and across marketplaces.

Stage 5
Enterprise digital agility
Optimizing portfolio performance via AI and machine learning, while leveraging market trends and competitive insights to identify new product and market development opportunities.

Managing at scale
Be your own superhero

For many years, the dynamic between manufacturers and retailers went largely unchanged. The status quo ruled. Those days are over with the rise of digital marketplaces. Fast-moving changes in the retail model have caught up with manufacturers—they must transform. And fast.

Most companies have responded by managing every marketplace as a standalone channel, delivering basic content to each one, and crafting brand experiences based on gut instinct (or readily available content.) But superhero players will take a holistic approach. They will transform their organization to manage across marketplaces with cross-functional teams, tailor content to differentiate products and brands, use data-driven experimentation and automation to optimize performance at scale, and tap into these marketplaces for insights to capitalize on new opportunities for growth. This is how manufacturers can harness their superpowers for superior performance in the next wave of brand experiences.
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To learn more about the impact of the reinvention of retail and digital marketplaces, visit www.accenture.com/marketplaces

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