

The Age of Amazon: Maximizing the B2C Marketing Opportunity



The Age of Amazon: Maximizing the B2C Marketing Opportunity, published by ClickZ Intelligence in partnership with Catalyst, a GroupM and WPP company, is based on a survey of more than 250 North America-based business-to-consumer (B2C) marketers (across all sectors), and numerous in-depth interviews with those who are actively using Amazon as a marketing and sales platform for their own brands or on behalf of their clients.

The report is aimed at all B2C-focused companies marketing and selling to consumers across a range of sectors, but is particularly relevant for those working in the consumer-packaged goods (CPG¹) arena. In conjunction with our survey of marketers, we also carried out an online survey of 1,600 U.S. consumers, looking at usage of Amazon and comparing research and buying behavior for eight categories of retail goods. The marketer survey was conducted in July 2017, while the consumer survey was carried out in August 2017.

¹For those reading outside the U.S., CPG is the same as FMCG (fast-moving consumer goods)



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Executive Summary

Amazon's star is in the ascendancy, with business and mainstream media fixated on everything from its share price and acquisitions to its rapidly expanding portfolio of services and mind-boggling array of patents. This report is focused squarely on its media and marketing services, a relatively small but fast-growing part of its business.

We look specifically at the opportunity for brands to harness its increasingly influential digital properties and devices to improve their marketing and sales performance, with a focus on how brands are organizing themselves and budgeting for this emerging media channel.

The research shows that marketers recognize the Amazon opportunity. Almost two-thirds of advertisers (63%) surveyed by ClickZ are planning to increase their Amazon advertising budget over the next 12 months, compared to 54% for Google and 53% for Facebook.

Our consumer research, which looks at shopping behavior across eight product categories, confirms the importance of ecommerce sites in influencing buying decisions, and also the heavy extent to which U.S. consumers are buying products online and, particularly, through Amazon.

But despite the growing importance of ecommerce and Amazon, there is still a lack of awareness among marketers about how Amazon can be used as part of their marketing programs, something that this report seeks to address. Almost a third (32%) of businesses that are not paying to advertise on Amazon are unaware of the opportunity. Only 17% of marketers say their companies have a clearly defined strategy for Amazon Marketing Services,

and only 15% agree that they are using Amazon Marketing Services to its full potential.

We make the following recommendations which are explained in more detail at the end of the report.

- 1 Develop an Amazon strategy
- 2 Balance your upper and lower-funnel marketing activities
- 3 Structure your internal teams and agencies to maximize success
- 4 Give ownership to marketers and specialist digital agencies
- 5 Be agile and flexible in your approach
- 6 Assimilate data, and optimize measurement and attribution modeling
- 7 Mine user-generated content
- 8 Train your internal teams
- 9 Seek out the best agencies
- 10 Focus on "shoppability"
- 11 Develop your Alexa Skills and presence
- 12 Gear up for AmazonFresh and Amazon Prime Pantry

Foreword by Catalyst



Kerry Curran, Managing Partner, Marketing Integration, Catalyst, Part of GroupM

In 2012 a seismic shift took place. Amazon surpassed Google as the top destination for U.S. online shoppers. Today, Amazon is not only the undisputed U.S. ecommerce leader, but a top search engine and critical channel for product discovery. With this comes substantial marketing opportunities that continue to evolve. From SEO to paid media, to voice activations, Amazon offers countless new opportunities for marketers to propel awareness and sales.

For years, the merchandising teams have managed ecommerce product marketing in a silo, separate from digital marketing. Savvy brands now recognize that the new advertising opportunities require integration with the digital marketer teams. Partnership between the supply chain and marketing team is critical for brand sales success.

We partnered with ClickZ to understand how brand marketers are considering Amazon and how we can empower brands to maximize sales potential. Only 17% of our respondents said they have a clearly defined strategy for Amazon Marketing Services (AMS), and only 15% said they use AMS to its full potential. However, the outlook is positive, with 63% of respondents planning to increase their Amazon investment.

Today, it's not enough to simply spend more. With multi-factored opportunities for product promotion, brand investment needs to be expertly managed for maximum return. That's where Catalyst's 20 years of search marketing expertise can help. For example,

for a Fortune 500 CPG brand we implemented a holistic Amazon strategy that focused on integrating paid and organic search efforts. By optimizing product detail pages and keyword-based AMS, we nearly doubled return on ad spend and increased revenue by 188%. For another brand, we developed a customized Match Type Mirroring AMS strategy that drove a 160% increase in sales.

In this Age of Amazon, brands must be strategic, savvy, and internally integrated to maximize sales. We hope that the insights in this report arm your team with the business case to take your ecommerce marketing and revenue to the next level.

About Catalyst

Catalyst is a digital marketing agency that specializes in global digital solutions that are innovative, effective, and consistently deliver business results for Fortune 1000 companies. From advanced Amazon marketing programs to innovative search campaigns, Catalyst has the industry leading capabilities required for best-in-class search and social marketing programs.

Contact Catalyst to discuss maximizing your success on Amazon.

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Acknowledgements

ClickZ would like to thank the following people for contributing to this research. In addition to those listed below, ClickZ also interviewed a senior Amazon executive and several senior marketers and strategists working for major CPG companies, who preferred to remain anonymous due to company policy.



**Daanish Chishti, Partner,
Group Director, Search
and Social, Mindshare
North America**

Daanish is an expert in digital marketing with over ten years of experience. He started his career building and optimizing paid search campaigns and has since overseen search and social strategy for several Fortune 500 clients. His core philosophy when it comes to managing digital is to always challenge the status quo and constantly look for ways to improve your work.



**Kerry Curran, Managing
Partner, Marketing
Integration, Catalyst, Part
of GroupM**

Kerry has over 18 years of experience in client services, business development, and digital marketing. A passionate digital strategist, Kerry has driven business results through Search and Social channels across multiple industries for many Fortune 1000 clients. As Managing Partner, Marketing Integration, Kerry currently leads the business development and marketing for all Search and Social business within Catalyst.

Kerry's prior experience includes VP/Group Director at DigitasLBi, where she led a team of 28 Search Marketing practitioners to successfully

manage client programs across ecommerce, lead generation, and brand engagement through the use of cross channel tactics including, programmatic display, paid search, SEO, affiliate marketing, and aggregator marketing.



**Chris Humber, Head of
Search, GroupM/Catalyst**

As Head of Search at GroupM/Catalyst, Chris has 15+ years of digital marketing experience overseeing strategy development and search and social integration for Fortune 500 brands and companies. Prior to joining Catalyst, Chris served as a Group Director at 360i, specializing in optimization strategies for emerging technologies, video, and social media. With a passion for delivering best-in-class service across a myriad of industries, Chris currently leads a team of practice directors working to define holistic search best practices, cross-channel integration, and new search product offerings to meet client needs.



**Grant Simmons, VP of
Search Marketing,
Homes.com**

Grant Simmons leads the Consumer Marketing team at Homes.com, helping drive brand awareness, audience strategy, and web traffic to one of the nation's top real estate sites.

Grant has over 24 years of agency and brand experience serving industry-leading organizations such as; Paramount Studios, Red Bull, M&M/Mars, Disney, Napster, Warner Bros., UPS, Move.com, The Young Presidents' Organization, GE, Amgen and Fox Sports. Grant is a popular speaker at search

and real estate industry events worldwide, including; SMX, SES, SIS, UCLA Anderson School of Business, eMarCom, C3, Multifamily Brainstorming, DMA, and has been quoted in Forbes, Fox Business, Media Post and other national publications.



Todd Szahun, Head of Digital Geometry, and eCommerce Lead, WPP Data Alliance

Todd Szahun is Head of Digital for Geometry Global North America, the region's largest and most geographically complete shopper marketing and brand activation agency. In this role, Szahun oversees the innovation and advancement of the agency's digital capabilities – bringing together all digital expertise within the agency and across the wider WPP digital and shopper communities. Szahun also holds a position with WPP's Data Alliance – a horizontal unit that helps WPP companies access and leverage data.

At Data Alliance, Szahun leads the ecommerce data strategy and partnerships, identifying and securing partnerships that are instrumental in improving client outcomes and advancing WPP's competitive data advantage. He joined WPP in 2010 to build the global search marketing practice for Proctor & Gamble at GroupM digital search agency Catalist.



Alex Tait is CEO and Founder of the media, content and digital consultancy, Entropy

Entropy advises on how brands can leverage ecommerce and Amazon within their media programs.

Prior to setting up Entropy, Alex has held leadership marketing roles at a diverse set of businesses. Most recently, he was UK & Ireland Media & Marketing Services Director at Unilever where he was responsible for communications planning across their portfolio.

He has also held digital leadership roles at American Express, Kellogg's and the Post Office.

He has been actively involved in the industry including as a member of ISBA's Executive committee and as chair of their Digital, Data & Direct Action Group. He has also been writing for industry publications since 2013 including as a columnist for Marketing Week and most recently The Drum.



About the author, Linus Gregoriadis

Linus Gregoriadis is an analyst and research consultant who has

authored dozens of industry reports across a range of digital marketing disciplines and related consumer and vendor technology trends. He was responsible for launching ClickZ Intelligence in 2016, after previously spending more than a decade overseeing the research function at digital marketing and training company Econsultancy, which is now part of Centaur Media.

Evolution of the customer journey drives CPG

reorganization

84% of brands surveyed agree that “changing consumer behavior is making them redefine how they market themselves digitally.”

The rise of Amazon and its emergence as the default search engine for consumer products, has drastically increased its profile and relevance for marketers across a range of B2C business sectors.

Its growing role should be seen in the context of the fast-evolving nature of the customer journey, which has changed radically since the emergence of the Internet and introduction of the smartphone more than a decade ago.

ClickZ’s survey of marketers carried out exclusively for this research (Figure 1) has found that “increased reliance on smartphones” (38%) is the single most significant digital trend impacting how companies market their products, followed by “increased use of social media” (26%).

While this may not come as a surprise to marketers who are, of course, consumers themselves, it has taken time for many traditional businesses to digest these trends and rethink their strategies accordingly.

The proliferation of digital touchpoints has led to a rethink of the traditional concept of the sales and marketing funnel. This is being superseded by more dynamic customer journey models — such as Google’s Zero Moment of Truth² and McKinsey’s Consumer Decision Journey³ — that recognize the burgeoning number of digital interactions and the often non-linear direction of the path to purchase.

Alex Tait, CEO of digital consultancy Entropy and former Unilever Media and Marketing Services Director, explained how sales and marketing teams at CPG brands are now working together

²<https://www.thinkwithgoogle.com/marketing-resources/micro-moments/zero-moment-truth/>

³<http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-consumer-decision-journey>

“Organizationally,
our clients are
going through huge
changes, as they try
to integrate Amazon
into their story.”

Todd Szahun, Head of Digital, Geometry

Consumer reliance on mobile phones, and increased use of social media, are the most significant digital trends impacting how companies market their products, cited by 38% and 26% of marketers respectively.

more closely, with the aim of taking a more holistic approach to customer journeys that factors in “triggers, influences and actions”, as opposed to

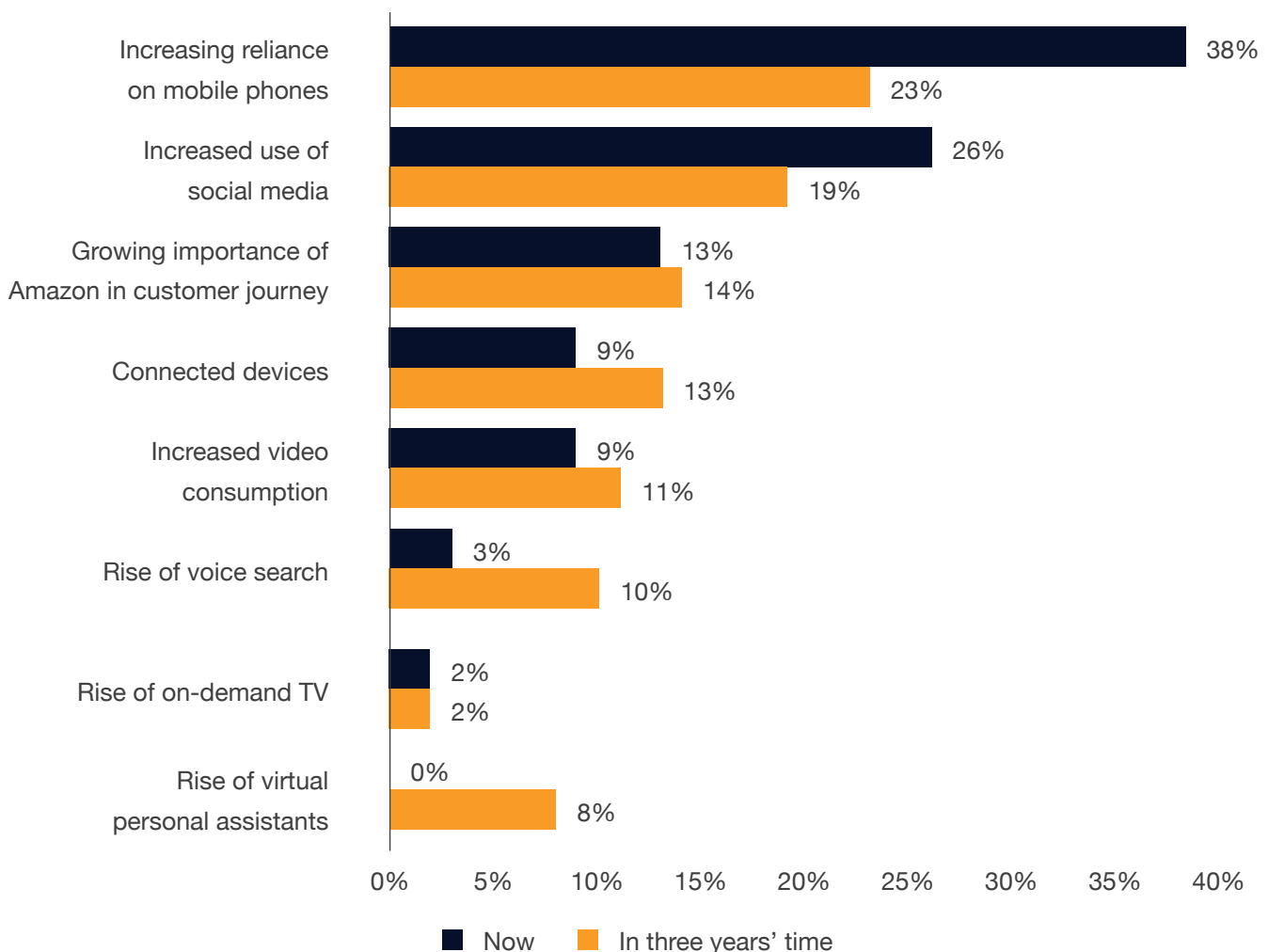
more traditional models that have focused squarely on awareness, consideration and conversion.

This trend is being accelerated and shaped by the increased prominence of Amazon within the customer journey, which is highlighted by ClickZ’s consumer research later in the report.

According to a senior Amazon executive who was interviewed for this report: “For the last 150 years sales and marketing teams have been siloed, but brands are now reorganizing themselves so they can work with Amazon more effectively.”

Todd Szahun added: “Organizationally, our clients are going through huge changes, as they try to integrate Amazon into their story.”

Figure 1. Marketer survey: most significant digital trend impacting how companies market their products



Methodology note: Includes marketers across all sectors, including CPG

The continued disruption of retail, and fusing of

digital & offline

39% of brands surveyed agree that Amazon will become “a key part of their growth and ecommerce strategy,” compared to 23% who disagree.

Amazon now accounts for an estimated 5% of all retail spending in America⁴ and 43% of online retail sales⁵, with those figures set to soar due to both organic growth and acquisitions. Amazon’s announcement in June 2017 that it is to buy Whole Foods — its largest ever acquisition — is testament to its ambitions in the grocery arena, but the Seattle-based company’s aspirations across the whole spectrum of retail categories should not be underestimated.

While Amazon’s success has been largely attributable to its inexorable rise as an online-only retailer, the Whole Foods deal illustrates how the wheel has now come full circle, with brands and retailers alike grasping the importance of a strategy that embraces both digital and bricks and mortar. The blurring of the lines between online and offline consumer activity, for example consumers comparing prices on their phones while in-store, can no longer be ignored.

Responding to the growth of online retail, CPG brands have typically invested money in their ecommerce teams, as sales through Amazon, other ecommerce sites and the transactional Web sites

owned by traditional retailers continue to grow. Some CPG brands are experimenting with direct-to-consumer Web sites because of the healthy margins and insightful data these properties can generate, but these sales are dwarfed by revenues made through their ecommerce and traditional retail channel partners.

Just under half (48%) of B2C companies who don’t already sell mainly direct-to-consumer are making it a “strategic focus” to boost their direct sales

While ecommerce, either direct-to-consumer or through channel partners, is still very modest for some categories, the upside can be very significant in a world of generally flat retail trading and price deflation where brands, Tait explains, are fixated on the “pockets of growth” that can make a difference to the bottom line.

⁴https://www.cbinsights.com/reports/CB-Insights_Amazon-Strategy-Teardown.pdf

⁵<http://uk.businessinsider.com/amazon-accounts-for-43-of-us-online-retail-sales-2017-2>

“There is a goldmine of behavioral data... everything from what they are typing as their search terms, what is converting, what they have bought, where they are and who they are.”

Alex Tait, CEO and Founder, Entropy, and former Unilever Media and Marketing Services Director

The digital to offline halo effect

As well as nurturing their ecommerce teams who are focused on online sales, brands are becoming increasingly savvy about the influence of digital visibility on offline sales.

Research by MEC Global⁶, part of GroupM, found that the ecommerce “halo effect” varies dramatically by category. For facial moisturizer, only 2% of sales were made online, but 18% of offline sales were influenced by ecommerce. For toothpaste, the same proportion of sales were made online, and a further 6.5% of offline sales were ecommerce-influenced, although these percentages are likely to have increased significantly since the research was carried out in 2015.

A BloomReach study⁷, published in 2016, revealed that 55% of U.S. consumers went directly to Amazon to search for products (an increase from 44% in 2015), compared to 28% who used established search engines such as Google and Bing (down from 34% in 2015). ClickZ’s own consumer research shows the significant influence that ecommerce sites — including Amazon — are exerting on buying decisions (Figure 2).

According to an executive at one multiple brand owner interviewed for this research, data showing the volume of product searches carried out on Amazon was a pivotal moment for the business which made them “stop in their tracks”. He added: “Amazon isn’t just an ecommerce conversion play, you can influence a greater volume of purchases offline. We saw how many product searches were starting on Amazon, and our own data backed this up.”

The logical response for CPG brands has been closer co-operation between direct-response and brand marketers to take a more integrated approach to their marketing activity to ensure that they are maximizing both online and offline sales through their ecommerce and digital marketing activity.

Companies surveyed and interviewed for this research are also thinking about how they can use the information generated by Amazon to drive forward their businesses strategically, equipped with new data streams that have typically not been forthcoming from the ecommerce sites run by more traditional retail partners.

Brands now have an unprecedented amount of online data — whether in the form of Amazon product search information or online reviews — to help them shape not only their marketing activities, but also the nature of the products themselves.

“Amazon search data is the category development of the future.”

CPG brand marketer.

While the trends described above transcend specific digital players, the role of Amazon within this changing landscape is writ large. As was seen in Figure 1, its growing importance in the customer journey is deemed to be the third most significant trend impacting how companies market their products.

⁶<http://www.mecglobal.co.uk/assets/publications/2015-07/Spotlight-on-Ecommerce.pdf>

⁷<http://go.bloomreach.com/rs/243-XLW-551/images/state-of-amazon-2016-report.pdf>

Influence of ecommerce grows across range of **categories**

“The pet and personal care categories are growing faster than household categories, with ecommerce driving between 3% and 6% of total sales compared to around 1% for household.”

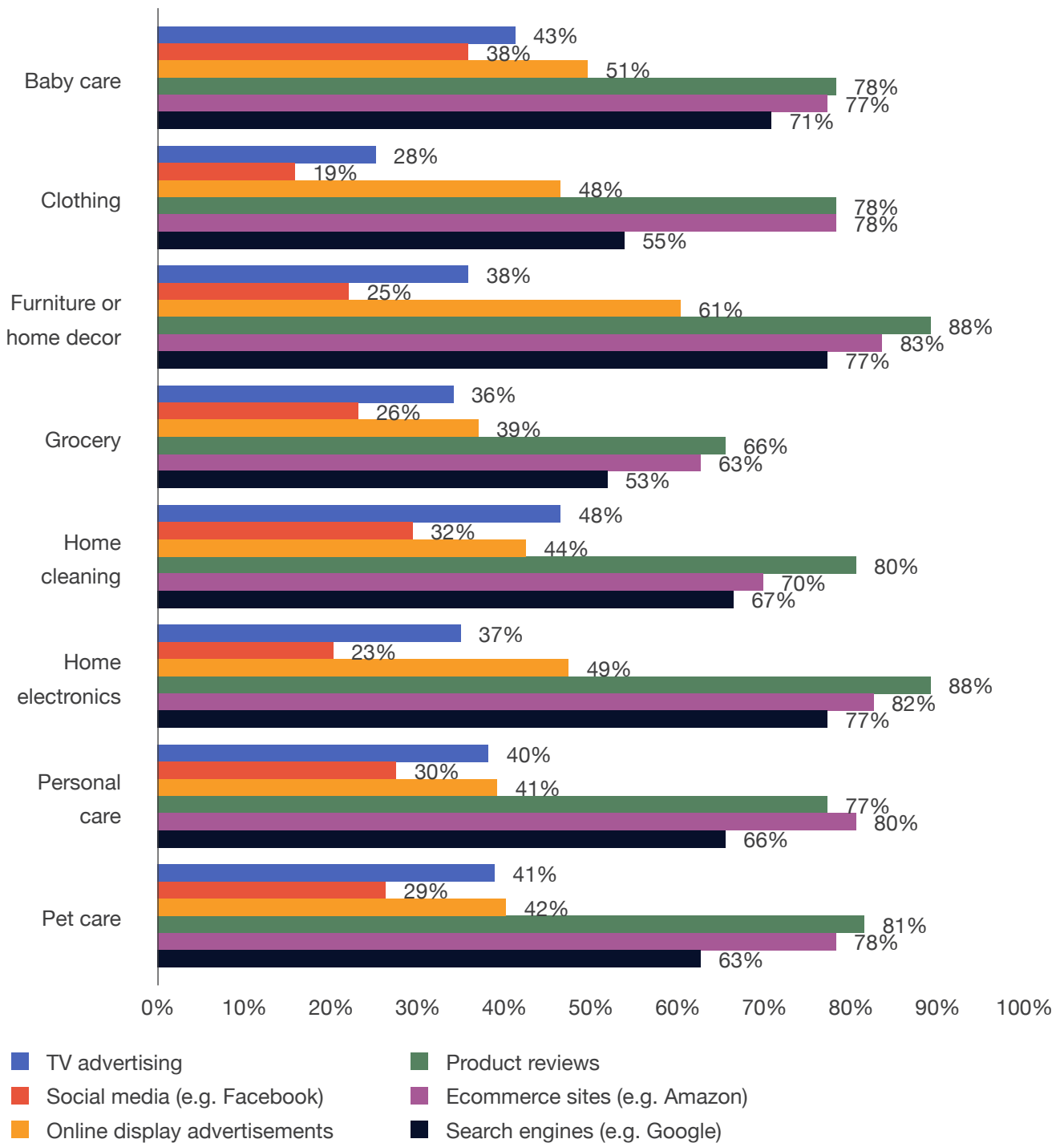
CPG company.

CPG companies interviewed for this report testify to the growing importance of the ecommerce channel for driving online sales and influencing offline sales. The ClickZ U.S. consumer survey carried out for this research bears testament to the importance of ecommerce sites for influencing the decision-making process across a range of categories.

Figure 2 shows that ecommerce sites have far

more influence than TV advertising, social media and online display advertising in influencing consumer decision making and, as a channel, are even more important than search engines. Only product reviews are deemed to be more important by consumers, and these themselves are typically an important feature of ecommerce sites such as Amazon.

Figure 2. Consumer survey: relative importance of ecommerce sites, search engines and other touchpoints in influencing the decision-making process.



Methodology note: Consumer respondents only qualified to answer this question if they had bought a product online in the relevant category in the last 12 months.

Percentage of consumers rating each channel as important when they want to buy products in each category.

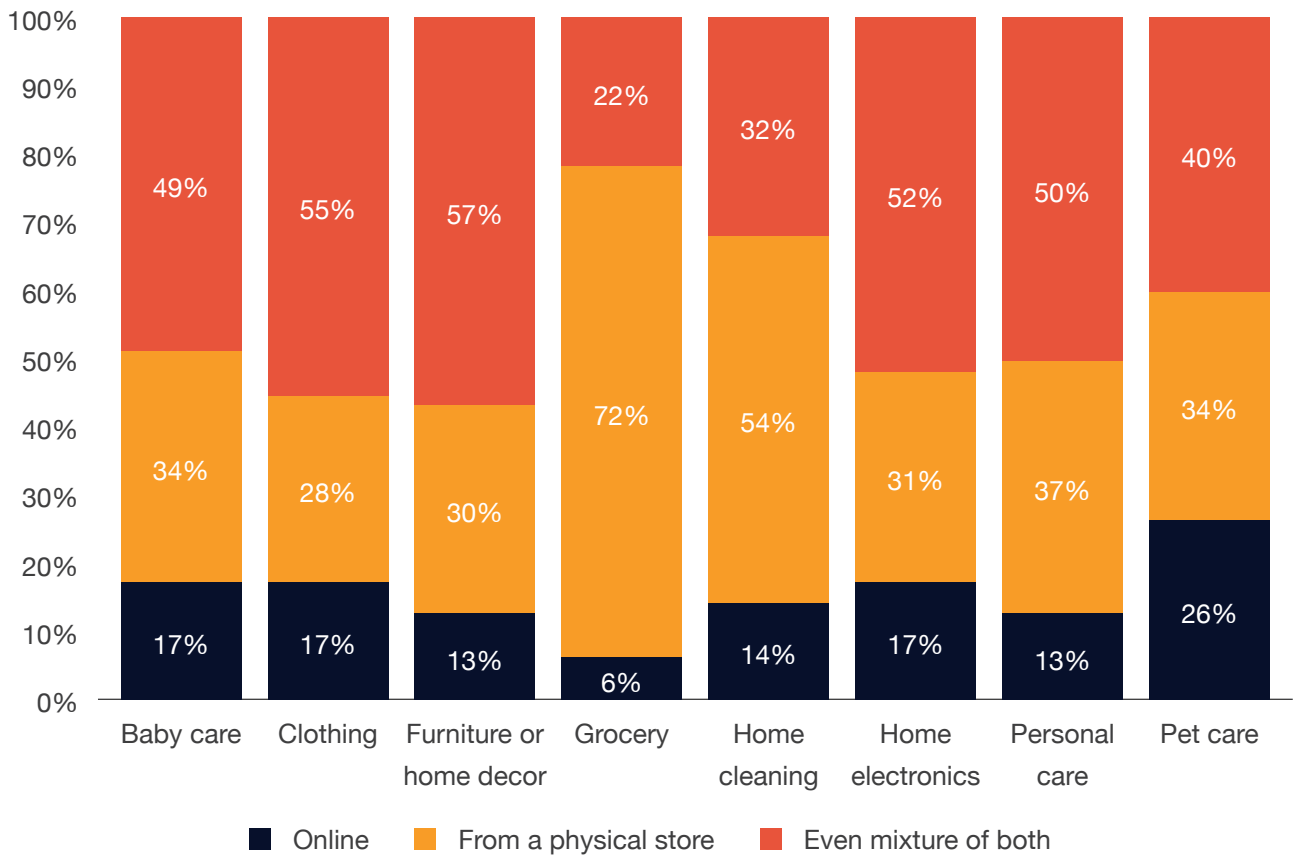
“Ecommerce is disrupting certain categories big-time,” said one marketer for a large CPG organization who requested anonymity. “For some categories, it’s still only 1-2%, but for others, like diapers, it’s more like 20%.” Pet food is another good example of a category being heavily disrupted, he said.

His comments are echoed by a research participant from another CPG giant where the pet care and personal categories account for between 3% and 6% of total sales, varying by brand. Meanwhile,

another well known pet care brand told ClickZ that ecommerce accounted for a “high-teens” percentage of their sales, with a fairly even split between Amazon and Chewy.

Figure 3 underscores the popularity of online shopping for pet products. Of those consumers who have bought a pet care product online in the last 12 months, 26% typically do so online, significantly more than for any other category.

Figure 3. Consumer survey: do you typically buy products online or from a physical store?



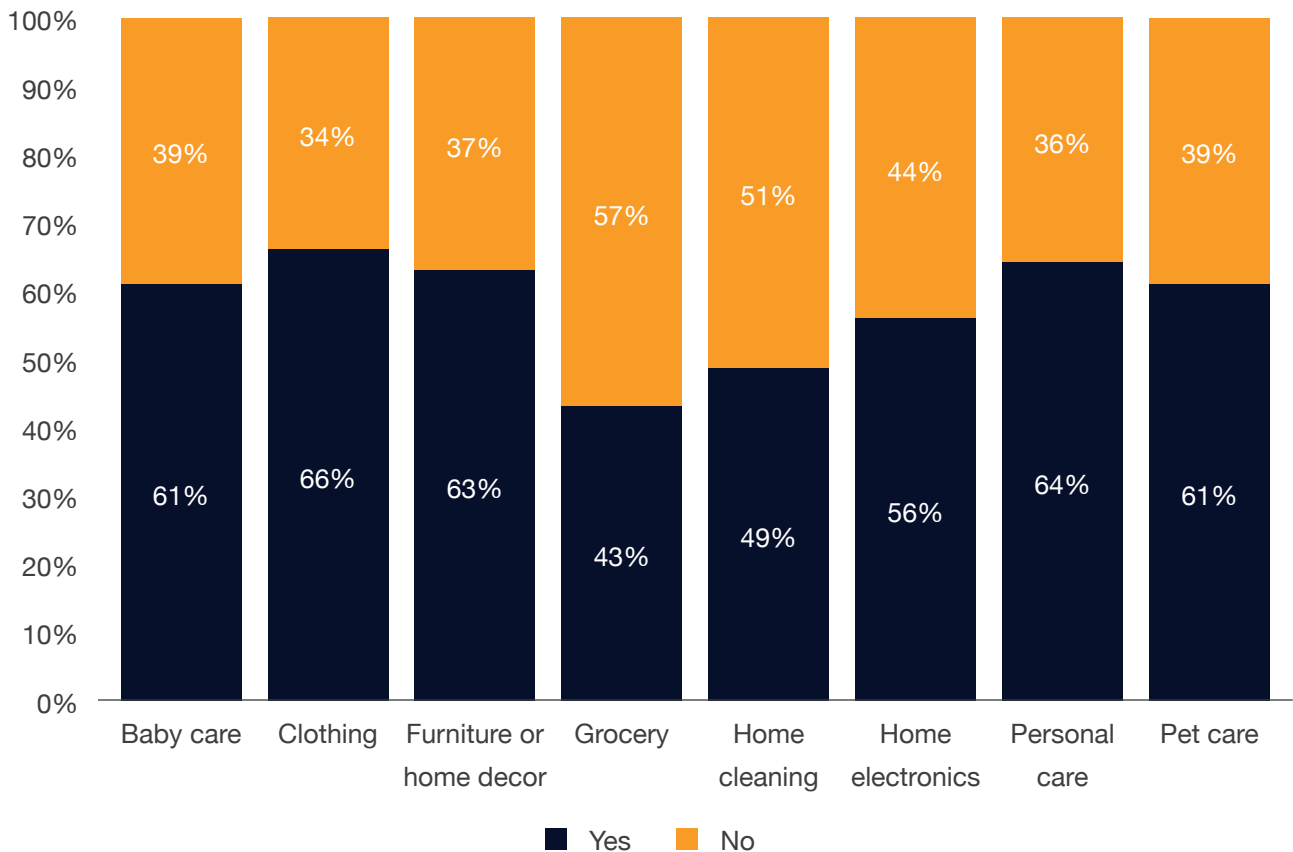
Methodology note: Consumer respondents only qualified to answer this question if they had bought a product online in the relevant category in the last 12 months.

Grocery is the category where consumers are least likely to typically buy online, but that may change as Amazon grows in this area. Of those who have bought groceries online in the last 12 months, only 9% have had deliveries using AmazonFresh, but a third (33%) are considering it. Meanwhile, 18% of these consumers have bought groceries using Amazon Prime Pantry, and a further 28% are considering it.

While Amazon Fresh is focused on delivering perishables to customers, including from selected retail outlets, Pantry is available to Prime members for buying non-perishable groceries and household products in “everyday package sizes”, rather than in bulk, and designed to replace the weekly shop.

As can be seen in Figure 4, only 43% of online grocery shoppers have bought from Amazon in the last 12 months, again lower than for any other category.

Figure 4. Consumer survey: have you purchased products from Amazon in the last 12 months? (either directly from Amazon or through its marketplace)



Methodology note: Consumer respondents only qualified to answer this question if they had bought a product online in the relevant category in the last 12 months.

The rise of Amazon as a media and **marketing player**

Only 17% of marketers say their companies have a clearly defined strategy for Amazon Marketing Services.

Research by BMO Capital Markets estimates that Amazon will generate an estimated \$3.5 billion in ad revenue in 2017, growing 63% to \$5.7 billion in 2018. While these sales are still relatively modest compared to the likes of Google and Facebook, Amazon's fast growth as a media player is making its competitors sit up and take notice. Sir Martin Sorrell, CEO of the world's largest advertising group WPP, has famously described the company as the one thing that keeps him awake at night.

Amazon's emerging media services business is the most significant part of a category described as "other" in its latest accounts. This category had revenues of \$945 million for the second quarter of 2017, up 51% from \$626 million year-on-year.

The huge reach of Amazon makes it an attractive platform for advertisers, even for retailers who are not selling products directly from its platform. According to Grant Simmons, VP of Search Marketing for Homes.com, the increased growth of Amazon media and marketing services is attributable to a desire among brands to "fish where the fish are",

and to "capture demand in an ever growing portfolio of audiences." Even in its relatively early stages as a media business, marketers are responding to the opportunity afforded by Amazon, whether through programmatic display advertising or the paid search products that have quickly become established as part of Amazon Marketing Services (described in more detail in the next chapter).

Amazon's search offering is gaining traction quickly because of the ability of marketers to see clear return on advertising investment, based on actual sales.

According to Chris Humber, Head of Search at GroupM/Catalyst: "Amazon has transactional data, it knows who you are and what you are purchasing. It's the Holy Grail, and what Google would like to have, the missing piece that allows Amazon to move from predictive to prescriptive search, so they can recommend proactively."

The sheer size, influence and reach of Amazon means that every sizeable B2C company needs to have an Amazon media and marketing strategy, even if they make the decision not to engage with

“You need to fish where the fish are, you can’t ignore a channel which has so much reach.”

Grant Simmons, VP of Search Marketing, Homes.com

the platform. Some retailers, for example, may decide not to work with Amazon because they are ultimately a competitor.

According to one survey respondent: “Amazon has leveraged a longstanding and well-honed process of digesting critical retailer data and information. They then utilize it to better compete directly against the retailer who unwittingly provided it. They’ve wedged themselves between the retailer selling in their marketplace and their customers and undercut them with preferred services, better pricing, and pushing their own related products.”

While some retailers may have strong reservations about working with Amazon, CPG brands increasingly see the organization as an important partner for their business. A good example of a brand which has bitten the bullet is Nike, having recently inked a deal for Amazon to carry “a limited Nike product assortment”.

Irrespective of whether brands should make their products directly available through Amazon, it is apparent that brands could be missing an opportunity by not taking advantage of its huge reach and burgeoning influence within the customer journey.

ClickZ’s research of the North American marketplace has found that only 17% have a clearly defined strategy for Amazon. It is still not unusual for large brands to allocate the vast majority of their digital marketing dollars to Google, Bing and Facebook, with Amazon media and marketing seen merely as an afterthought.

According to the Amazon leader we spoke to “Brands need to ask themselves: ‘what is our Amazon strategy?’. We try to make them rationalize why Amazon is relevant for them, and make sure they are mindful of Amazon when they are thinking about their integrated communications and brand strategy.”

Like some of the agencies interviewed for this report, Amazon is keen to stress the importance of a joined-up approach which encompasses both upper-funnel and lower-funnel activity.

Our Amazon interviewee said that the palpable return on investment from paid search marketing on Amazon can end up blinding companies to the need for upper-funnel campaigns, which are ultimately crucial for driving demand. Catalyst client data reflects the value of upper-funnel activities like TV to drive brand interest.

⁸<http://www.marketwatch.com/story/nike-confirms-deal-to-sell-shoes-through-amazon-2017-06-29>

Use of Amazon

marketing services

Only 15% of marketers agree that they are using Amazon Marketing Services to its full potential

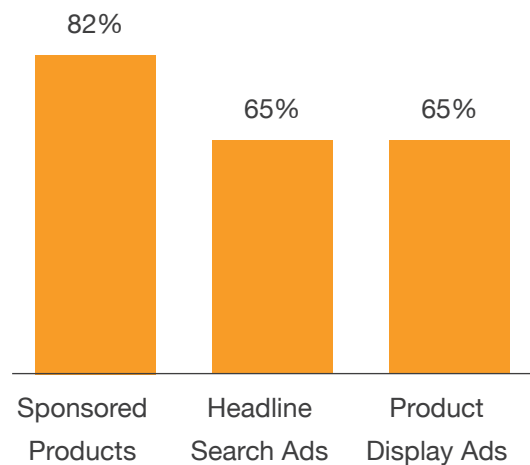
It is not surprising that such a vast organization as Amazon can be difficult to navigate when it comes to harnessing its fast-growing portfolio of media and marketing-related products and services.

Amazon Media Group (AMG) is described as “operating at the intersection of advertising and ecommerce”, offering advertising solutions across its mobile and desktop websites, proprietary devices and the Amazon Advertising Platform (AAP).

The Amazon Advertising Platform (AAP) enables advertisers to reach Amazon shoppers with various ad formats including desktop and mobile display and video ads, while Amazon Marketing Services (AMS) comprises solutions including sponsored products, headline search ads and product display ads (see page 23).

Figure 5 (on right) shows the extent to which companies are using the different components of AMS, with Sponsored Products the most commonly used solution among those brands surveyed that are paying to advertise on Amazon. According to one brand we spoke to, about 85% of their spending on Amazon Marketing Services is going on Sponsored Products, though this figure of course will vary across different business verticals and individual businesses.

Figure 5. Marketer survey: which of the following Amazon Marketing Services solutions do you use?



While the advertisers we spoke to are typically happy with the performance of Amazon Marketing Services, the platform is still in its infancy, and viewed as very basic in comparison with the equivalent Google and Bing platforms.

According to Geometry’s Todd Szahun: “The platform was originally built for small and independent sellers and not for big brands and agencies. They didn’t originally build it [like Google AdWords] to allow large agencies to use it. For example, they didn’t allow you to bill through invoicing”.

“We have an aggressive roadmap to develop better tools for Amazon Marketing Services, and to bring parity globally.”

Leader, Amazon Media Group

Headline Search Ads

Headline Search Ads are keyword-targeted cost-per-click ads, appearing at the top of the page, that allow Amazon Vendors to promote three or more products and drive traffic to a brand page or to a custom landing page at Amazon.com. They are regarded as top-of-the-funnel ads because potential customers who click through these banner-like ads are typically at the beginning of their buyer's journey.

Sponsored Products

Sponsored Products are targeted cost-per-click ads that appear alongside search results, either on the right side or at the bottom of the page, and on product detail pages. They are often described as middle-of-the-funnel ads because, when they are seen, the buyer is likely to be comparing products.

Product Display Ads

Product Display Ads are cost-per-click product or interest-targeted display ads that live on your own or your competitors' product pages. Available to vendors, they are considered as bottom-of-funnel because the product page is typically near the end of the customer journey.

"People had to use a credit card, but that's not how clients and agencies work. They have expanded it now to allow larger brands and agencies".

"We launched on Amazon Marketing Services two years ago and it's been a very high performer in terms of driving returns."
CPG brand

"The biggest issue with Amazon Marketing Services is that it is not well developed or mature due to the siloed nature of their [Amazon's] data," added Chris Humber. "Brands are looking at how they can create test-and-learn opportunities and which levers to pull, but a sophisticated marketer will be perplexed and frustrated by the limitations."

According to Amazon, work is under way to improve the platform's user interface, data visualization, reporting and keyword tools which are widely described as rudimentary. "We have an aggressive roadmap to develop better tools for Amazon Marketing Services, and to bring parity globally," said our Amazon source. "We are also working on metrics like share of voice, how display influences search and vice-versa. A lot of innovation is happening."

He also pointed out that programmatic advertising solutions offered through the Amazon Advertising Platform were at least on a par with competitors, with what he described as more advanced key performance indicators (KPIs) and metrics, for example the ability to track through to a sale.

How companies are budgeting for

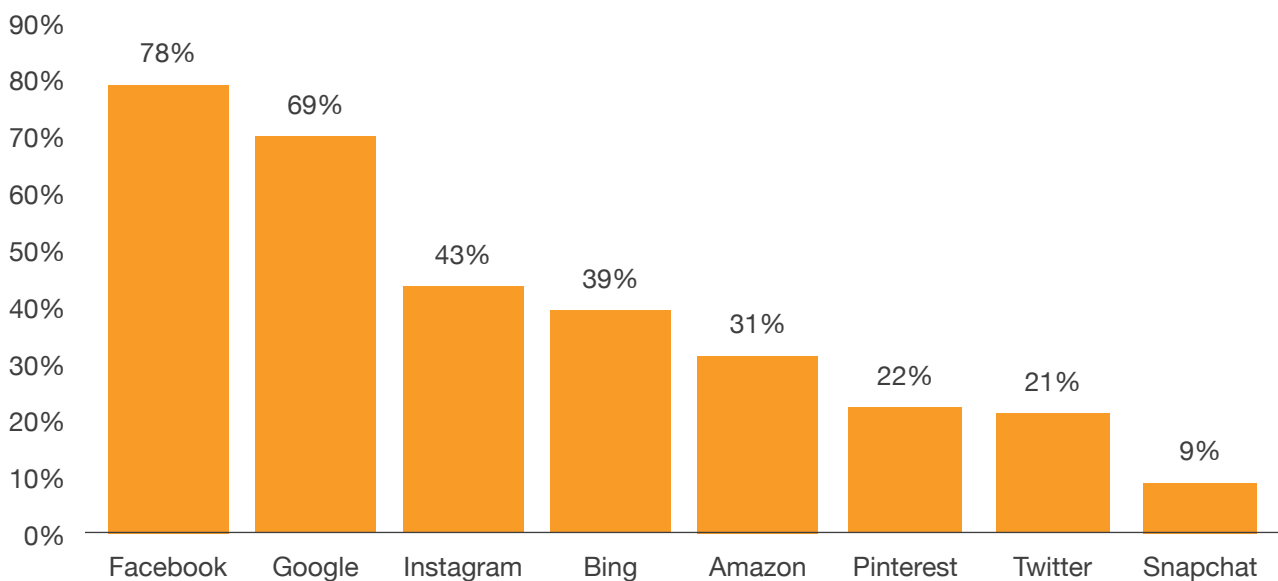
Amazon

63% of responding companies are planning to increase their advertising budget on Amazon over the next 12 months, compared to 54% for Google and 53% for Facebook.

Only 31% of B2C companies taking our survey said they are currently paying to advertise on Amazon, compared to 69% for Google and 76% for Facebook. But the impetus

is with Amazon, with 63% of responding companies planning to increase their advertising budget on this channel over the next 12 months, compared to 54% for Google and 53% for Facebook.

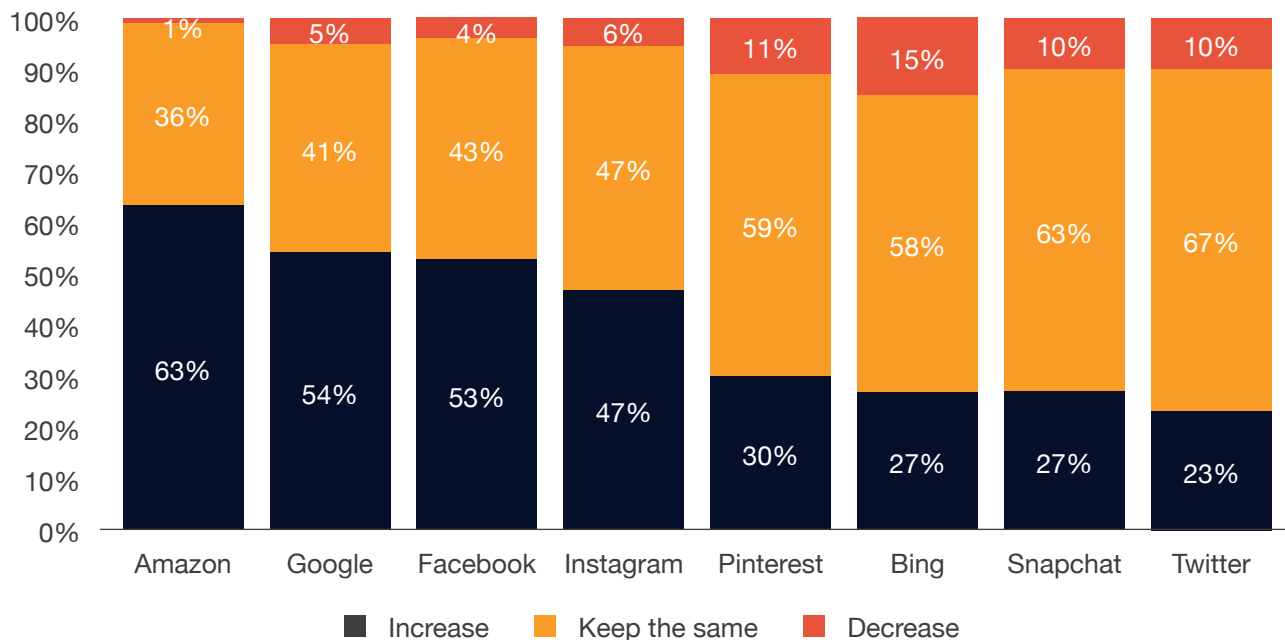
Figure 6. Marketer survey: Proportion of companies spending advertising budget on channels



“Amazon is taking its share of dollar from other channels, but what is happening now is that brands are looking at the overall marketing and advertising picture and increasingly treating this as incremental.”

Todd Szahun, Head of Digital, Geometry

Figure 7. Marketer survey: is your company planning to increase or decrease its budget for the following advertising platforms over the next 12 months?



Where Amazon budget is coming from

Budget for Amazon advertising is coming from a variety of sources and although Google should be worried about its loss of dominance in the consumer product search arena, it is not simply a case of budgets being transferred wholesale from one digital platform to the other.

Interviews carried out for this research suggest a very nuanced picture in terms of how Amazon marketing is funded, with companies shifting some funds from Google and Bing, but also reclassifying budget as media spend when ownership has moved from sales and customer development to marketing.

In the world of CPG, the picture is further complicated by the fact that some Amazon budget continues to come out of trade budgets that historically sit within sales teams, to fund activities that are not strictly media spend, but are required to grow Amazon sales, for example to support Subscribe & Save offers through Amazon Prime.

According to one interviewee, budgets for Amazon are now starting to look more like traditional shopper

marketing budgets, with more money available and more flexibility to spend money as required.

Our survey suggests that budgets for Amazon are most likely to be “new budget” created specifically for this channel, rather than reallocated from other channels (Figure 8). More than a third of respondents (42%) say it is new budget, while 20% say it is partly shifted budget and partly newly created budget.

Looking at those who have wholly shifted budgets (38% in total), they are split between those who “have shifted budgets to Amazon from other digital channels including Google” (16%), those who have moved budgets “from both digital and traditional channels” (15%) and those who have transferred funds “mainly from traditional channels such as TV advertising” (7%).

Tellingly, for those who are not spending advertising budget on Amazon, just under a third (32%) say it is because Amazon is not relevant for their business, while 32% say they are not aware of the opportunity (Figure 9).

Figure 8. Marketer survey: where is your Amazon search marketing budget coming from?

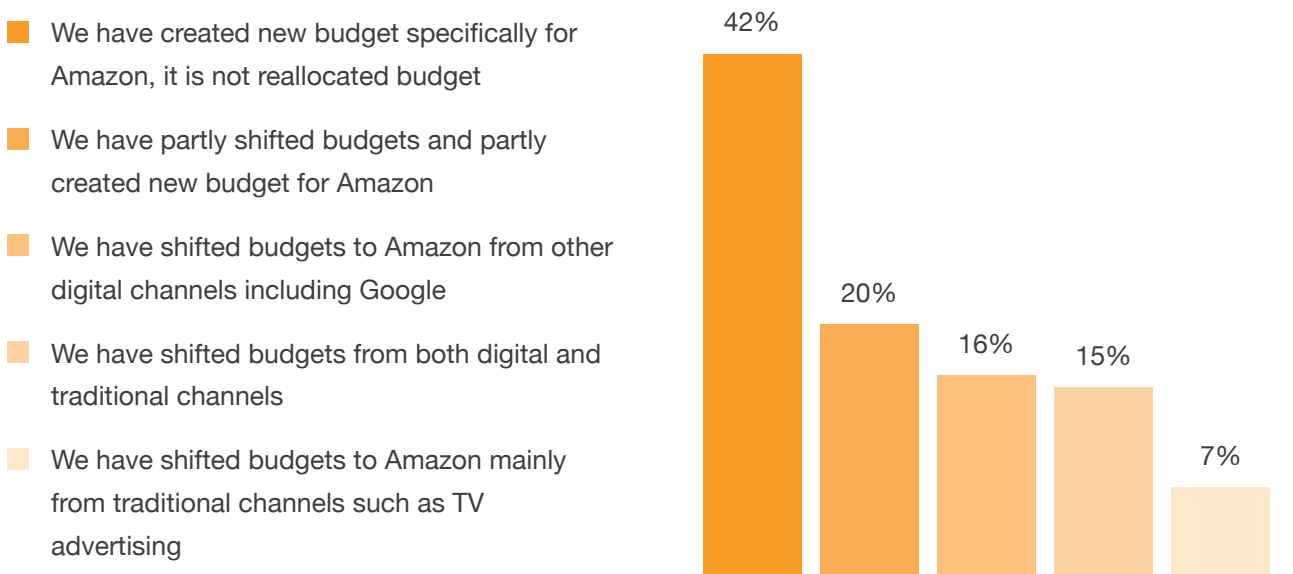
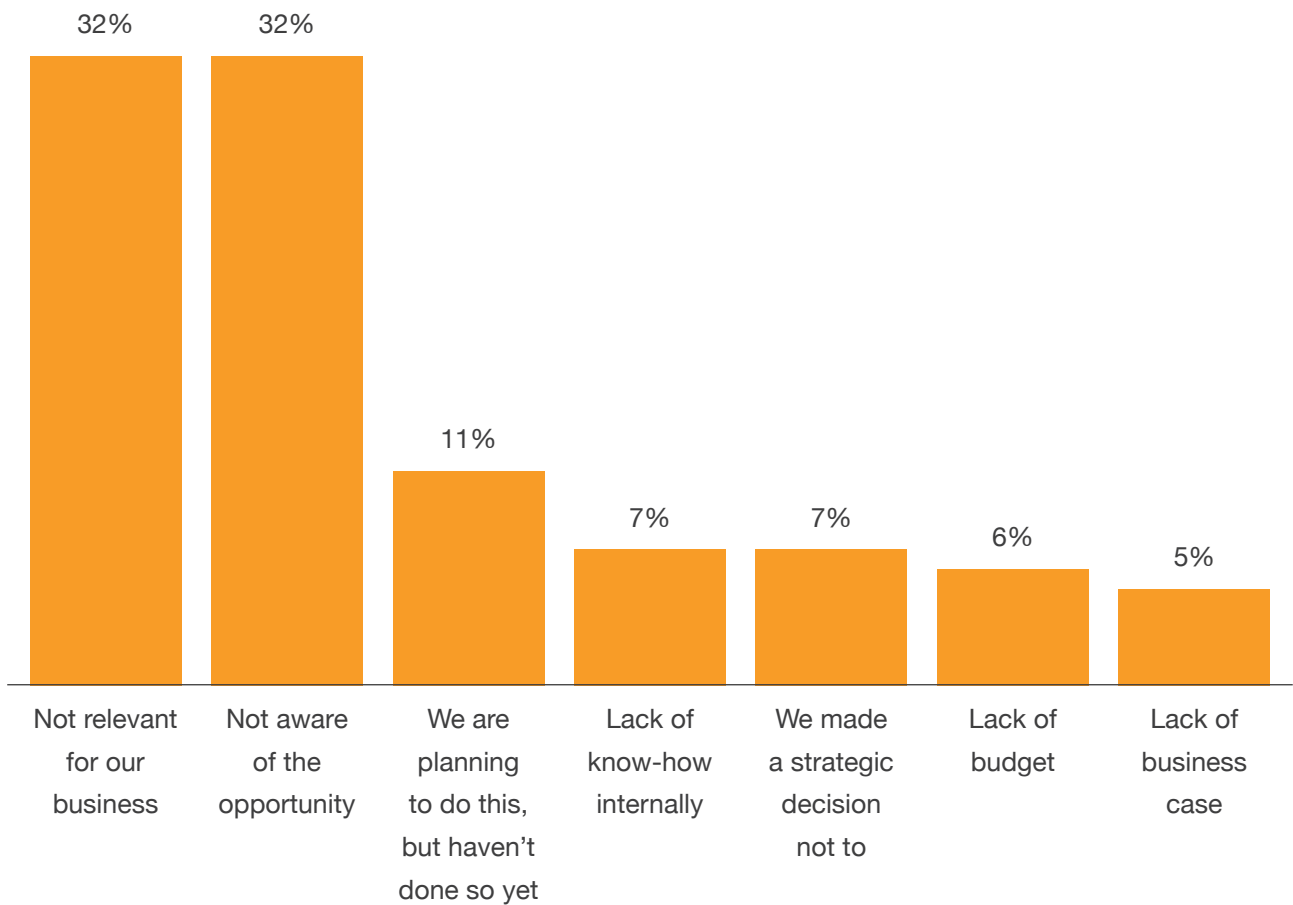


Figure 9. Marketer survey: why are you not spending advertising budget on Amazon?



Ownership of Amazon

strategy and programs

Only 60% of companies agree there is internal co-operation between shopper and search/social teams

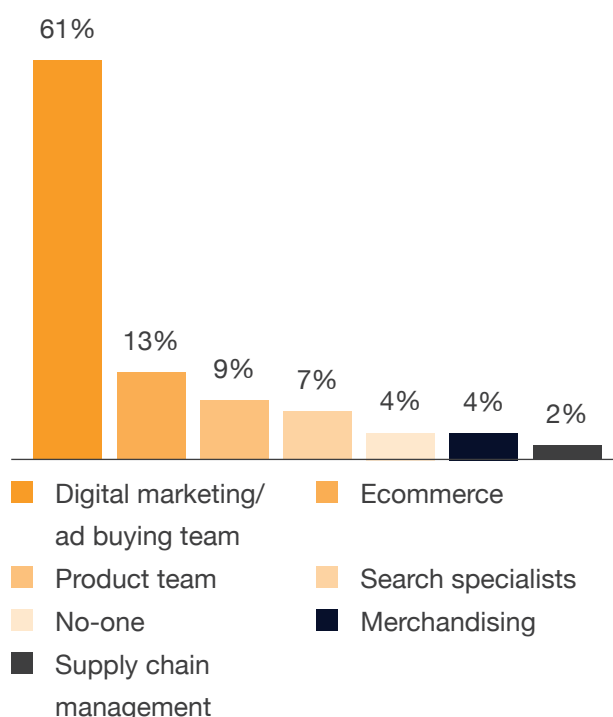
Amazon is described by one research participant as a “multi-headed beast” which requires dedicated resources not just within sales and marketing functions, but also, increasingly, in finance, IT and supporting operations teams.

Responsibility for Amazon marketing within B2C companies largely sits with digital marketing and ad buying teams (for 61% of companies surveyed), but ownership is by no means restricted to marketing departments (Figure 10).

Among the companies surveyed, ecommerce (13%), product (9%), specialist search (7%) merchandising (4%) and supply chain management (2%) teams all have a degree of primary responsibility, though the percentages are small.

Almost three-quarters of respondents (74%) report that Amazon paid media is bought directly in-house, while the remaining 26% say that either a media agency (13%) or digital performance agency (13%) has responsibility for this (Figure 11).

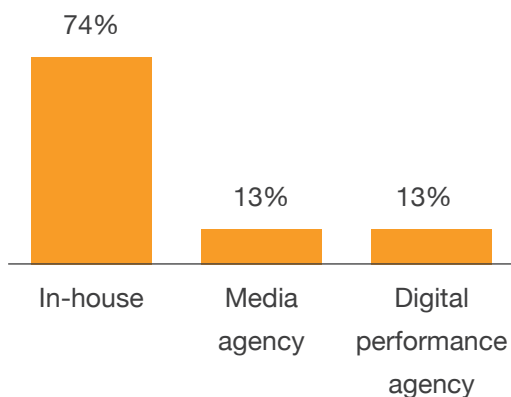
Figure 10. Marketer survey: who within your business is primarily responsible for paid advertising on Amazon?



“I don’t know if there is any one group or brand that has solved the riddle of Amazon. We are starting to see a lot of the right questions being asked, and dots being connected. But it still feels very disparate.”

Chris Humber, Head of Search, GroupM/Catalyst

Figure 11. Marketer survey: do you buy paid media on Amazon directly in-house or through an agency?



It is crucial that companies take a co-ordinated approach to their Amazon activities, including the optimization of product listings pages in conjunction with their paid media programs. Just as paid search and SEO or organic search activities need to be co-ordinated for more established search engines (most obviously Google and Bing), so do organic and paid-for programs on Amazon.

Almost three-quarters (71%) of companies surveyed are optimizing their product listings pages for organic search on Amazon (Figure 12), but only 37% say that this is owned by the digital marketing team (compared to 61% for paid search activities).

This suggests that, for many organizations, Amazon paid search and organic search activities are owned by different departments, a scenario which makes it difficult to ensure the most effective synergies between budgets and activities.

Another consideration for companies is ownership of A+ Content, an enhanced brand content offering from Amazon that allows first-party sellers to showcase their brand and products more effectively with more detailed item descriptions, larger images, comparison charts and videos. According to our marketer survey, 53% of companies paying to advertise on Amazon are using A+ Content.

According to one brand interviewee, this is an important aspect of marketing on Amazon (and done with the help of their agency), though she said it is not clear how much this influences the search algorithm. She also said that it was a challenge to scale this content across different brands and products and a “pain to manage”.

Where ownership of different Amazon activities is spread across the organization (and their agencies), it is important that there is strong co-operation between teams, for example merchandising and marketing teams, and shopper and social teams. According to our marketer survey, 60% of companies agreed there was internal co-operation between shopper and search/social teams.

It is also important that Amazon Marketing Services programs sit within an integrated strategy that also encompasses Google and Bing. Daanish Chishti, Partner, Group Director, Search and Social, Mindshare North America, urges a joined-up approach: “Those who have a holistic approach to this – with someone who can see across all the media channels – are ahead of the game. They have a view of where the money is best spent and what will have the greatest impact on the business.”

He added: “It should start at the leadership level, with CMOs or marketing directors, looking at these channels holistically, but should apply to both the client side and agency side. The more you put your media in silos, the more you are putting yourselves at a disadvantage.”

It is important to note that internal co-operation isn’t just about marketing and content programs; effective Amazon partnerships also require operational departments to be on the same page as media and marketing teams, with aligned KPIs to ensure that the right products are available at the right time and at the right price points.

“We talk a lot about paid media, but your paid media doesn’t work effectively unless you have shored up other parts of the business, like supply chain management and operational capabilities.”

Daanish Chishti, Partner, Group Director, Search and Social, Mindshare North America.

Figure 12. Marketer survey: are you optimizing your product listing pages for organic search on Amazon?

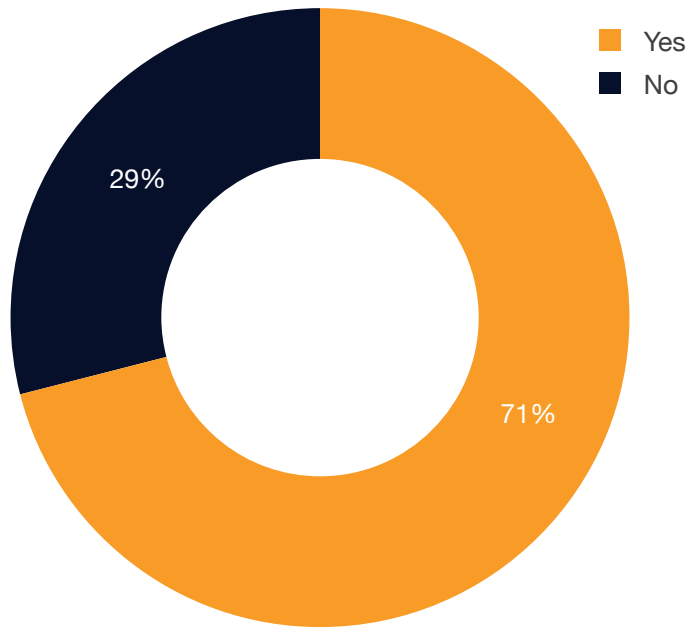
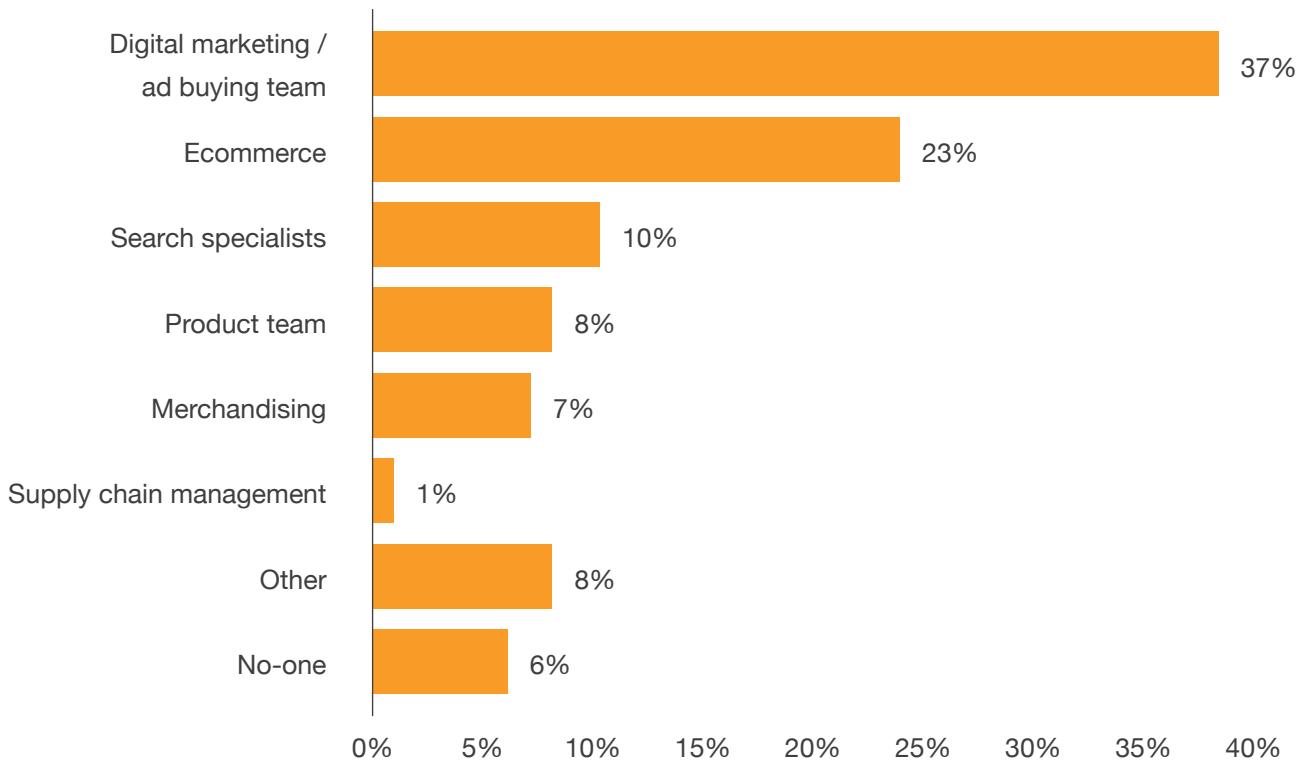


Figure 13. Marketer survey: who within your business is primarily responsible for Amazon product listing pages?



Seizing the Alexa opportunity

38% of responding companies are planning for the growth of voice search.

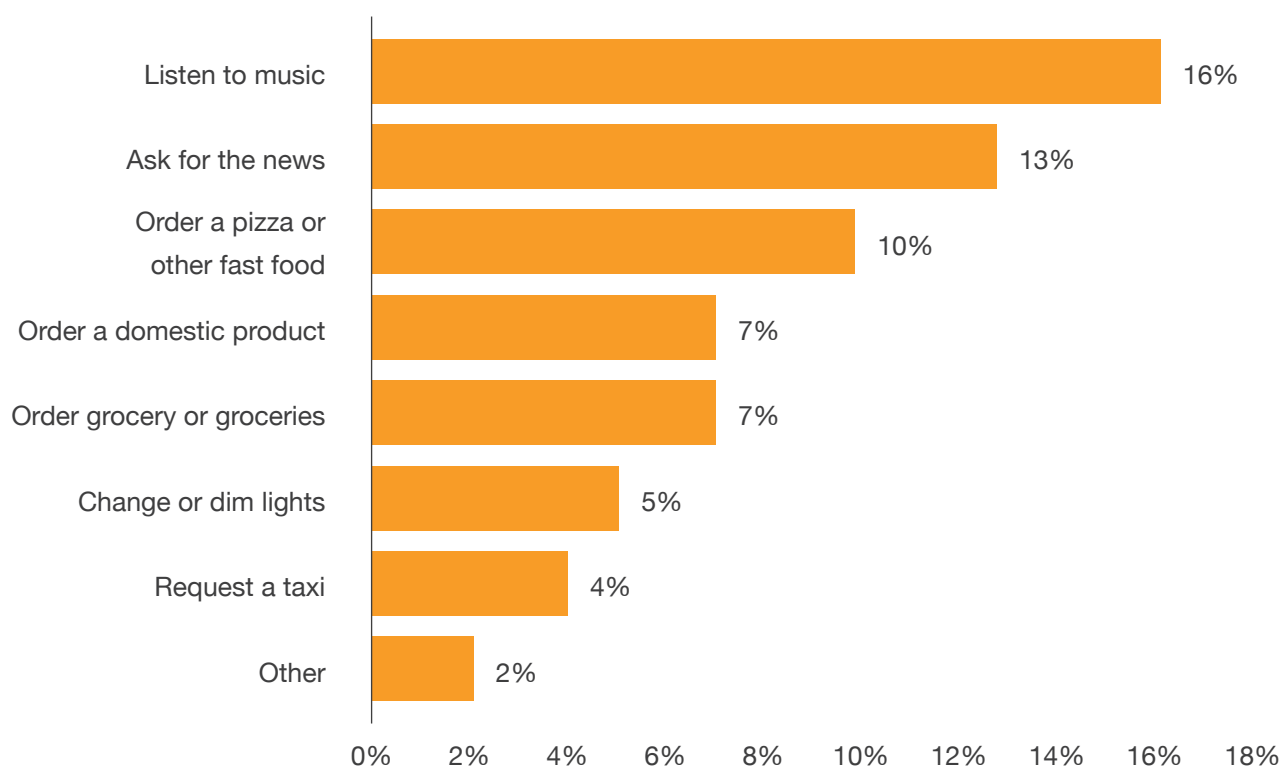
The popularity of the Amazon Echo and the Alexa voice assistant has not gone unnoticed by marketers who have recognized an opportunity to bolster their presence in millions of homes across the world.

According to our research, 14% of consumers own an Amazon Echo, and a further 32% are considering

it, while 15% say they have used Amazon Skills on their own or someone else's devices, with another 28% considering it.

As Figure 14 shows, consumer use of Skills is still low, including for the ordering of grocery or domestic products. Our survey found that consumers are most likely to have ordered pet care products using

Figure 14. Consumer survey: have you used Alexa Skills to do any of the following?



“If you are planning to launch an Alexa Skill then you need to commit to it. It needs to be something meaningful, which is maintained and updated, rather than something that becomes a poor example of the brand.”

CPG marketer

Alexa, and most likely to be considering buying baby care products using this service.

So, while usage is still low, and though only time will tell if this behavior becomes habitual, there could be huge potential for growth, and this is reflected by the volume of new Skills being created.

16% of respondents say they have developed skills on Alexa, and a further 23% say they are planning to.

Earlier this year, there were already 10,000 Skills on Alexa, demonstrating the enthusiasm for experimentation among developers and companies alike.

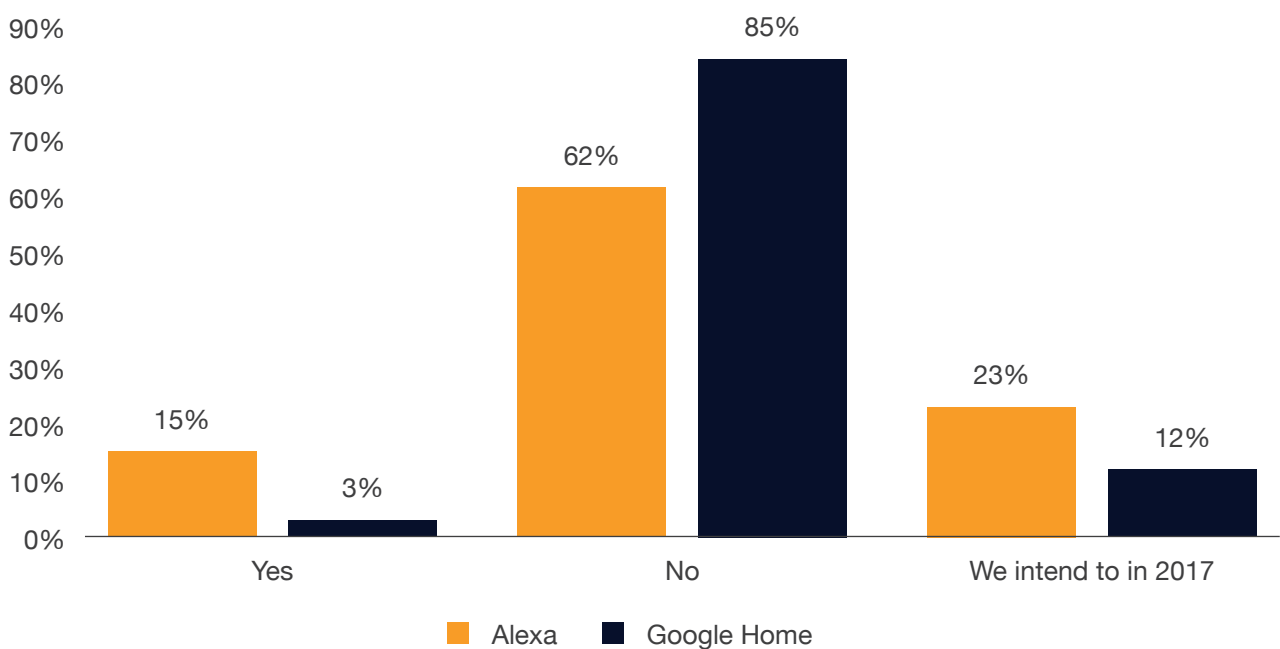
While it is still early days for voice search, many brands have seen a chance to be at the forefront of this disruptive technology, even though the payoff is not always clear.

“Brands need to focus on investing in utility and avoid the trappings of novelty”, according to Chris Humber who compares the rush to create Skills to the early hit-and-miss days of the App Store when there was little consideration as to whether companies were really enhancing their brands.

For many brands, there is a struggle to create a Skill that lends itself well to the spontaneous questions and natural conversations that take place in the home, with advertisers and their agencies keenly awaiting news of a pay-to-play offering which Amazon insists is not yet on the cards. The company insists that it is seeking to encourage maximum consumer usage without any barriers to the best possible user experience.

According to our research, those brands who have developed skills on Alexa are still very much in the minority (15%), though a further 23% say they are planning to do this (Figure 15). Amazon’s lead over Google in this space is reflected in our survey results which show that companies are less likely to have developed apps or services for Google Home than for Alexa.

Figure 15. Marketer survey: have you or your business developed Skills on Alexa, or apps / services for Google Home?



12 key recommendations for optimizing your

Amazon strategy and programs

1 **Develop an Amazon strategy**

It all starts with the strategy. The growing influence of Amazon in the consumer buying journey means that brands cannot afford to ignore this channel. The wide range of opportunities available through Amazon means that a co-ordinated approach is essential for maximizing the opportunity for your brand. With the stakes increasingly high, leadership teams need to be involved in defining the nature and scope of any Amazon partnership, rather than relying on an ad hoc and “bottom-up” approach that lacks structure and oversight.

As well as fast-growing areas such as Amazon Marketing Services, brands should weigh up the opportunity across the full spectrum of Amazon products and services, ranging from its Prime program and ad network through to Kindle and Fire TV marketing opportunities, or even advertising on packaging.

Brands also need to have a clear view on whether short-term profit and growth comes with the threat of commoditization of their brands, exacerbated by aggressive pricing.

Another important aspect of your strategy with Amazon is how you negotiate the partnership in terms of fees. Consider whether a flat fee is better than a percentage of sales deal if you are confident about long-term growth and scale.

2 **Balance your upper and lower-funnel marketing activities**

Brands need to ensure they are maximizing growth on the platform by optimizing brand and direct response activity together. While the customer journey is becoming more complex and non-linear, the traditional sales and marketing funnel concept still holds weight and is a useful tool for companies to assess the balance of their marketing campaigns. Brands need to ensure that they have a balanced

approach that addresses both their brand marketing and immediate short-term sales requirements.

Companies should look at the range of products and services within Amazon's portfolio, and ensure that they are embracing a range of marketing activities that fulfill both their brand marketing and mid to lower-funnel requirements. This requires senior involvement at the top of your organization, and falls very much under the overall strategy umbrella.

3 **Structure your internal teams and agencies to maximize success**

Brands need to ensure that stakeholders from a range of departments across the organization — and the relevant agencies — are working in unison, with cross-functional teams and aligned KPIs in place. Companies need to ensure that brand custodians, customer development and ecommerce teams are co-operating and looking at the bigger, overall picture, rather than working alone in individual silos.

Even with the most effective media and marketing programs, brands are unable to get the most out of Amazon unless their merchandising, supply chain and operational teams are working closely with marketing and media teams to ensure that they have the products available and at the right price points, with an eye on both profitability and customer lifetime value. If the product pages aren't doing a great job of showcasing the brand and relevant products, then money spent on advertising is wasted.

4 **Give ownership to marketers and specialist digital agencies**

While many brands have historically given responsibility for Amazon content and marketing to merchandising, sales and customer development teams, research for this report suggests that this approach is not sustainable for longer term success. It is no longer viable for responsibility to lie with

teams that have historically been more involved with store promotions and shelf positioning.

In co-operation with other internal teams, marketers need to have ownership of Amazon media activity under the purview of the Chief Marketing Officer, either through specialist in-house media teams, or digital agencies with Amazon specialists who have experience of the wider marketing mix and media spending on platforms such as Google, Bing and Facebook.

5 **Be agile and flexible in your approach**

The world of Amazon is a fast and dynamic environment, with agile brands making hay in the sunshine while their more methodical counterparts miss out on opportunities. Established brands need to look at the budgeting processes and ensure that some money is ring-fenced for opportunities that need to be seized upon quickly, rather than having budgets that are set in stone for months at a time.

Amazon cites Kind and Bai as brands that are “maniacally focused” on optimizing their Amazon partnerships, with the agile mindset and flexibility required to compete with larger and more established businesses. John Denny, Vice President for Digital and Ecommerce for Bai Brands, told the New York Times recently: “Increasingly, if you win on Amazon, you win, period. And this is the world marketers have to wrap their brains around”.

6 **Assimilate data, and optimize measurement and attribution modeling**

The potential power of Amazon-related data is exciting and daunting for brands in equal measure. Brands need to have analysts dedicated to understanding a plethora of data sources, relating to product sales, inventory availability, customer behavior and advertising metrics.

While Amazon improves on the data, metrics and

insights provided to vendor and advertisers, the onus is on brands to assimilate the data into their organizations, with a view to improving everything from stock availability to product development and marketing.

The complexity of the task should not be underestimated, but brands need to develop their attribution and econometric modeling to understand the influence of digital and ecommerce on offline sales, rather than simply tracking digital sales in isolation. Brands need to develop a test-and-learn approach as they seek to develop their ecommerce KPIs and move closer towards the Holy Grail of a model which assimilates both digital and offline data.

7 Mine user-generated content

Ratings, reviews, and Q&A content on Amazon – and indeed the same kind of content on ecommerce sites operated by brands and retailers – contain a wealth of information that can be harnessed by both copywriters and marketers for content strategy, and optimization of both organic and paid-for programs. Marketers should be harnessing user-generated content to write better product descriptions based on the questions being asked by consumers. Brands should also be analyzing content for product and ad campaign ideas.

As well as participating in Amazon's Vine and Official Comment programs, companies should also encourage customers to write reviews, for example through automated email programs targeting those who have recently bought a product.

8 Educate your internal teams

In-house Amazon-related capabilities need to be developed over time, with staff increasingly being dedicated to this channel. While agencies can play a vital role in helping their clients to succeed, someone with the necessary expertise needs to manage these relationships and deal directly with Amazon. Some of the data and insights relating to Amazon are so mission-critical that they need internal ownership and oversight.

Brands are on a steep learning curve, not just when it comes to Amazon, but more generally in the context of marketing their products in the age of the smartphone. "We are not yet adept at showcasing our products with postage-stamp sized images", said one brand interviewee. "Everyone is having to learn new skills. We are like other major CPG companies, trying to work out what this means for our categories, and continually seeking to optimize to maximize returns".

9 Seek out the best agencies

According to Chris Humber: "As Amazon continues to build relationships with agencies, they [the agencies] become the guiding light helping brands to understand the opportunities they have and how they overlap."

The right agencies can be the difference between success and failure with Amazon, with a variety of creative, media and technical capabilities required, ranging from the right-brain skills needed to create compelling product pages to the left-brain analytical skills needed for media optimization.

While some agencies may excel in the more strategic arena, they may fall short in their executional and media optimization capabilities, and vice versa. Brands may be dealing with various agencies – sometimes including separate

retail and media specialists – to help manage their Amazon relationship, and it is therefore important that they are willing to work together to aid their clients’ cause.

10 Focus on “shoppability”

CPG brands need to have a focus on “shoppability”, making sure they are making it as easy as possible for consumers to research a product and press the buy button in any digital environment, whether they are browsing through Amazon, social sites such as Pinterest, or looking at a sector-specific website such as Chewy.com for pet care products or Polyvore for an apparel purchase.

Catalyst’s Kerry Curran stresses the importance of creating the “ideal shoppability scenario”, where you have a brand presence across multiple platforms which cater for a range of consumer preferences, with the right mix of content, including keyword-optimized product descriptions, up-to-date images and high-quality video to create a virtual look and feel. Amazon, described as “the new shelf space” because of its growing role in brand discovery, should be a key pillar of shoppability endeavors, she stresses.

11 Develop your Alexa Skills and presence

While it is still not clear how the Alexa product will develop, the growing impact of voice technology – and most pertinently the ability to buy something with a few spoken words from your home – means that brands need to pay close attention to developments in this area, for example by training and hiring developers who are dedicated to creating Skills which add value to a brand by providing a utility to consumers.

Alexa specialists should not be working in isolation; rather, their work should be part of a more holistic approach taken by an organization, for example using media and advertising to drive awareness for a particular skill.

Brands also need to work towards ensuring that products have the Amazon Choice label so they can be directly purchased through an Amazon Echo. Recent research by L2¹⁰ across a range of categories found that 60% of products suggested by Alexa were Amazon Choice items, a status awarded based on factors including Prime eligibility, sales performance and customer ratings.

12 Gear up for AmazonFresh and Amazon Prime Pantry

ClickZ’s consumer research shows that 9% of those who have bought groceries online in the last 12 months have done so using AmazonFresh, and a further 33% are considering it, while 18% have used Amazon Prime Pantry, and a further 28% are thinking about it. By 2021, Amazon is projected to sell more than \$23 billion in groceries annually¹¹.

Both these services give retailers the opportunity to expand their customer base by tapping into the growing demand for online groceries. There is, of course, a learning curve to getting set up on these services, and aligning internal operations accordingly, so the sooner brands start familiarizing themselves with these opportunities, the better.

¹⁰<https://www.l2inc.com/daily-insights/how-alexa-transforms-brand-visibility-on-amazon>

¹¹<https://www.statista.com/statistics/545906/amazon-us-grocery-gmv/>

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