BEING A SUCCESSFUL BRAND IN A DIGITAL WORLD

Retailers understand the need to sell on multiple platforms — but figuring out what works can be tricky. Some share the pros and cons of selling on a marketplace. Others are customizing branding language and managing customer data across channels. Also, digitally native brands in the Top 1000 aren't growing as fast as they once were – learn why.

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NAVIGATE THE COMPLEXITIES OF BEING A BRAND SELLING ON MULTIPLE SITES

Online retailers share the pros and cons of selling on marketplaces, how to manage product-detail pages, and managing customer data across channels.

On Aug. 24, Peloton Interactive Inc. announced it was opening a storefront on the Amazon marketplace. It was quite a departure for the maker of indoor exercise bicycles. Peloton, ranked No. 36 in the 2022 Digital Commerce 360 Top 1000, had built its business independently – shunning sporting-goods retailers and marketplaces and selling direct to consumers through its website.

A week before that, Walmart eased its rules for selling on its marketplace. Before, sellers had to request permission to put their products on the marketplace. Now, sellers go live immediately after answering a series of questions. According to research firm Marketplace Pulse, nearly a thousand new sellers joined the Walmart marketplace each day after the change – roughly four times more than before.

What Peloton, all those new Walmart merchants, and thousands of others in ecommerce know is that in 2022, being a brand in a digital world often means selling through a myriad of
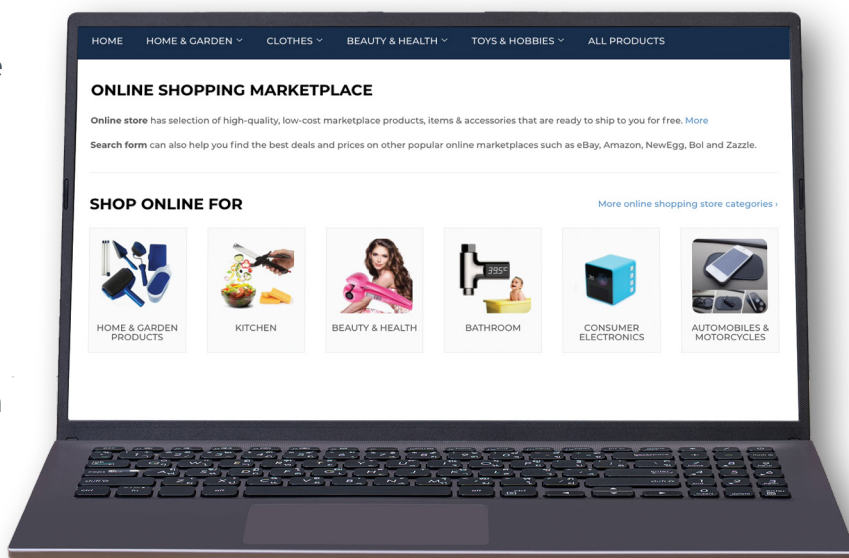
vehicles: DTC, marketplaces, partnerships, affiliate programs and more.

But knowing you need to sell on multiple platforms isn't the same as knowing how to sell on multiple platforms.

In this Strategy Insights report, journalists and researchers at Digital Commerce 360 offer their insights on how a brand can navigate the complexities of selling on multiple sites.

One section of the report looks at the pros and cons of selling on a marketplace. Retailers share their decisions on joining (and sometimes leaving) a marketplace, and they explain what brands should consider when deciding to join a marketplace.

Another section of the report looks at the complexity involved in publishing and maintaining product pages across various websites and marketplaces. What works in one space may not work in others, brands say. And while multiple approaches are needed, a brand must find a way to maintain a consistent brand message and voice, no matter where it sells.

A third section considers the difficulty a brand may face in collecting and managing data from multiple platforms. How can a brand find actionable insights into shoppers across DTC, marketplaces, wholesale, social media and more? It's not easy. It's also not cheap, but it is essential.

There are vendors who say they can help. Retailers say the costs of their solutions vary depending on the volume the retailer is selling versus how many types of channels they sell through as well as the volume of SKUs.

So read on … and learn what it takes to be a successful brand in a digital world.

Paul Conley, Director of Editorial Research

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Q&A

A CRM helps retailers compete by meeting customers' growing expectations

An executive conversation with **Gabe Larsen,** head of marketing, Kustomer, Meta

Generational differences in consumer expectations are growing. What may be comfortable to one, may be foreign to another, including their buying preferences. With digital customer interactions rising, retailers must accommodate today's consumers' expectations. To discuss how a customer relationship management (CRM) system helps retailers better serve customers across all channels, Digital Commerce 360 spoke with Gabe Larsen, head of marketing at Kustomer, Meta.

What challenges do retailers face around building and maintaining their brands?

Consistency is key to maintaining brand equity. The lines between marketing, sales, support and customer experience continue to blur as consumers use the same channels to buy products and connect with brands. According to Kustomer research, 72% of Gen Z consumers like brands active on social media, and more than half anticipate they'll use social messaging to connect with businesses more frequently over the next five years.

How important is managing products across multiple channels, and keeping track of customer data?

As generational preferences continue to shift toward more modern, digital and instantaneous communication channels, it's important to ensure that you aren't just showing up on a channel, but building long-lasting customer relationships. Modern consumers want to connect with your brand, be a part of your community and establish a true connection with the business.

Our data shows 89% of consumers think contacting customer service should be easier. But support teams are often bogged down with manual tasks, resulting in long resolution times that frustrate customers. According to our data, 80% of consumers expect customer service agents to know about their orders and history without communicating it to them. And 69% appreciate being able to switch customer service channels without losing context. This number only grows among younger consumers.

What strategies or technologies will best help them address trends and overcome challenges?

Businesses need to tap into technology tools and AI to eliminate the menial, repetitive and time-consuming tasks, with intelligent automation that can do thing like detect intent, collect relevant information, automate agent interactions and route conversations. Intelligent chatbots can now deliver contextual and personalized information that feels human, and seamlessly hand off to agents when necessary. With the right technology, agents can focus on building customer relationships and promptly fixing complex issues.

Businesses must leverage a modern-day CRM that focuses on the customer at the center of each interaction. A single and full view of the customer and an integrated data system gives you the complete context of that customer's history so you can take the right next step at scale.

How can retailers find and implement the CRM that's right for them?

Consumer preferences continue to change, modern messaging channels are becoming essential to business success, and younger consumers won't jump through hoops to get answers to their questions.

If half of winning is showing up, successful companies need to meet customers wherever they are, whenever they can. This means being always available on multiple channels — and sharing the information and conversations from those channels in one place, with a CRM like Kustomer.

Creating a true omnichannel presence allows a company to see the whole picture, aggregating customer interactions across platforms and allowing agents to solve issue. When a company adopts an omnichannel approach, they free the customer to contact them whenever, however and on whatever platform is convenient — and to switch platforms at any time without having to start the conversation over from scratch.

Kustomer

Kustomer

60% of consumers want to feel a personal relationship with a brand.

0% of consumers feel that relationship when they're on hold.

Part of ∞ Meta

THERE IS MORE THAN ONE WAY TO MANAGE CUSTOMER DATA

In an increasingly competitive ecommerce landscape, DTC retailers are figuring out how to reach new customers by linking up with larger merchants like Walmart or selling on marketplaces like Amazon — without losing too much control. The key is to take a step back and assess before diving into new ventures or technologies.

By Gretchen Salois

Coffee retailer Bean Box has two different customers: gift buyers and loyal subscribers. CEO Michael Berk knows that 40% of its revenue comes from recurring and predictable subscriber customers.

"That's a healthy place to be in terms of revenue coming from sub-scribers, but the challenge with ecommerce is the system of record," Berk says. "How do we manage the data for our direct-to-consumer customers as well as the ones we sell to through other channels?"

Berk does not want to push that it is solely a subscription company.

"We don't want to force customers down a particular path," he says. "We want to be seen as a portfolio of different products and different customers with different lifetime values (LTV)."

For nearly nine years, Bean Box has evolved its business and learned from selling through its own DTC website.

A one-person engineering team could handle the tasks for the first seven years. But as the retailer's reach and revenue grew — including selling through its Amazon store and, in February 2022, in Walmart stores — data management became more complicated.

It became necessary to outsource certain tasks to prevent its now three-person team of engineers from creating reports manually.

Bean Box outsources its email marketing software to Klaviyo to manage email automation, analyze and measure repeat purchase rates and track how many products it sells through email. It costs $40,000 to $50,000 each year for the software. To monitor event spikes in traffic and sales, Bean Box uses Splunk, a "quick and dirty" analysis tool that costs $5,000 to $10,000 a year, he says.

"It's really not a big cost to us to pay for these technologies because the alternative is we would be forced to rely solely on our system," Berk says. "Instead of writing reports every single day, our time and labor are better spent serving the customer."

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— Michael Berk,
CEO, Bean Box

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The pandemic accelerated retail's plunge into ecommerce. Now, retailers realize they need to fine-tune their approach to continue growth after the initial flurry of revenue. Third-party software vendors offer retailers ways to collect and analyze data to track and strategize how customers shop depending on where. The costs vary and depend on the volume of data involved.

Nearly nine years old, Bean Box uses third-party technologies to reinforce its homegrown trio of engineers. Meanwhile, apparel retailer PacSun is facing legacy system challenges. With a system more than 15 years old, the retailer is figuring out how to tie modern software into its legacy system. In doing so, the retailer hopes to continue its digital growth as it sells DTC and through its online marketplace shop on Amazon, in-store locations and social media channels.

But take care when making changes, warns Annie Lyons, principal consultant specializing in retail at Propeller, a management

Bean Box began selling in Walmart stores in February 2022.

consulting company. While it is important not to wait to upgrade customer data monitoring and analysis, rushing into a stack of technologies can backfire if done without proper planning.

"We have seen that organizations are really, really quick to buy the technology and then try to adapt that to very heavily manual legacy processes after the fact," Lyons says. "Instead, they should get their houses in order before bringing in a new technology. It might be the case that the existing enterprise software has capabilities not being used yet."

It's an investment worth devoting time to. According to Forrester's 2022 Online Retail Forecast, U.S. report published in August 2022, online retail sales could increase from $0.9 trillion in 2021 to $1.6 trillion in 2027.

Coffee retailer Bean Box has two different customers: gift buyers and loyal subscribers. CEO Michael Berk knows 40% of its revenue comes from subscriber customers, but he does not want to push Bean Box as solely a subscription company.

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LINKING DIGITAL GROWTH WITH IN-STORE NETWORK

PacSun is balancing digital orders and in-store demand. Part of that process involves retrofitting its existing 15-year-old legacy software to accommodate the retailer's digital growth.

And there's the cost to consider, says Shirley Gao, chief information officer at PacSun.

"Investment varies because it's like buying a Camry versus a Maserati. Do you pay for speed as much as power?" she says. "With our Gen Z customers and the current market challenges, we also can't wait long. It makes a difference whether it takes six months versus 12 months to implement a new technology."

Since the pandemic, PacSun has shifted its focus to grow its ecommerce side of the business. Digital penetration is about 35% of the entire business, Gao says. PacSun experienced rapid growth in 2020 and 2021. 2021 digital sales were nearly double pre-pandemic 2019, according to Gao. Digital sales include those from PacSun.com and the retailer's native mobile app; they do not include Amazon sales.

The retailer added order management into its legacy data warehouse that traditionally included data from its physical stores. PacSun currently has 325 physical stores in the U.S. and Puerto Rico.

Gao says PacSun needed to integrate its legacy software to include digital fulfillment and customer information. PacSun uses Manhattan Active Omni software for order management. This software gives PacSun details such as when a customer makes an order online, the packaging process and supplier shipping tracking. The retailer uses antuit.ai software as a service for inventory forecasting to manage inventory and shipping costs. It helps minimize out-of-stock issues both online and in-store.

$40,000 – $50,000
The amount Bean Box devotes each year to email automation software.
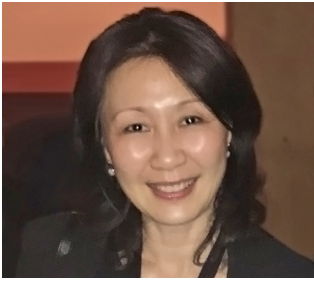
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"With our Gen Z customers and the current market challenges, we also can't wait long. It makes a difference whether it takes six months versus 12 months to implement a new technology."

— Shirley Gao, chief information officer, PacSun

Artificial intelligence allows PacSun to use historical data and current data to anticipate/forecast future demand for thousands of SKUs/store combinations. PacSun can plan its inventory strategy by reviewing customer data demand broken down by product, location and timeframe. PacSun uses Salesforce commerce cloud for its digital business. Balancing digital orders and in-store sales is complicated, and PacSun's Gao wants to use its network of brick-and-mortar locations to help it manage inventory and shipping and fulfillment processes.

While PacSun declined to share how much it pays for these technologies, services like antuit.ai are subscription-based.

There are often limited sizes and colors for in-store items. Inventory can be "thin," Gao says. PacSun fulfills online orders from its various store locations. Ensuring in-store customers have a wide selection of items to consider is difficult when online shoppers browse the same merchandise. Online AOV is about 50% higher compared with in-store AOV.

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"We have been trying to explore the possibility to add more safety stock and maybe implement more protections to allow our store customers to have a chance to shop items in-store before those items get taken by an online shopper," Gao says.

PACSUN USES ITS DATA TO OVERHAUL ITS SHIPPING PROCESSES

Customer data has shown PacSun that its customers like to shop at PacSun both in-store and online. Because PacSun uses its stores to fulfill online orders, that creates a complicated shipping matrix, Gao says.

If a customer orders multiple items online, PacSun collects those items from its stores and warehouse in Groveport, Ohio, and ships them to the customer.

Gao says PacSun realized that this was an inefficient way to ship. If a shopper in Oregon orders products fulfilled by stores located in PacSun's Groveport, Ohio, main distribution center and a store in Florida, it increases the cost to the retailer.

"If we ship two or three packages to a customer, the additional shipping costs are for us an unexpected increase," Gao says. "We're not going to charge the customer extra."

But to keep its Gen Z customers happy — especially first-time customers PacSun would like to become repeat customers — shipping planning needed to change, Gao says.

"We looked at the last 18 months of customer data and found that delivery time does affect the likelihood of whether that customer will return to shop with us," she says. "A customer that receives a

35%
Percentage of online sales penetration for PacSun.

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package in five days versus five to 10 is more likely to return to shop with us."

Gao did not specify how likely it is that fast shipping can turn a first-time customer into a repeat customer but did note that the retailer has increased what it pays to ship after reviewing customer data.

"If that means switching from a less expensive FedEx Ground option to the more expensive but faster UPS mail innovation for some customers, that's a switch worth making," Gao says.

Shipping problems are compounded during peak periods like the holidays. After reviewing customer data, PacSun decided to dedicate one-third of its stores that fit into the widest range of customer zip codes to serve as satellite fulfillment centers.

"Stores that we find have less traffic and are a bigger space can handle that inventory," Gao says. "That allows us to move beyond relying on our Groveport, Ohio, main distribution center."

During the peak holiday season, PacSun uses a portion of its stores with less foot traffic and more space as satellite fulfillment locations. This gives the retailer more locations to ship from beyond its main distribution center located in Groveport, Ohio.

In August 2022, PacSun began offering same-day delivery through Amazon for 20 of its stores. The retailer has also used DoorDash and Uber to deliver from 70 stores since 2021.
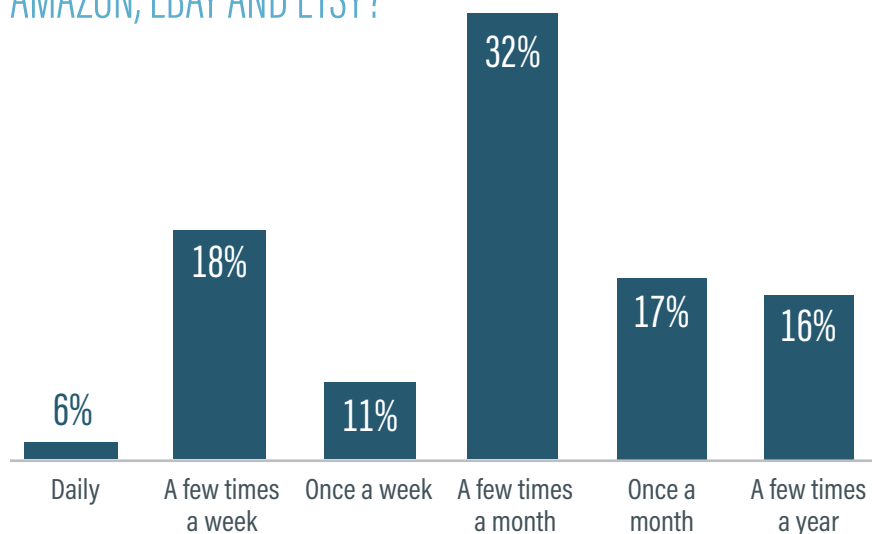
Delivery through Amazon seemed a natural next step, as the retailer has an Amazon store on the marketplace.

"Our Amazon store is a significant channel for us," Gao says. "We've got a huge group of customers that might otherwise not have gone to PacSun.com directly.

"Now, with same-day Amazon delivery, Prime Shoppers can browse store inventory and get same-day delivery."

Currently, PacSun fulfills its own merchandise on Amazon, but Gao says the retailer is open to switching to Fulfillment by Amazon (FBA), where Amazon would be responsible for shipping merchandise.

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"We've found there are a lot of opportunities to work with Amazon to improve our customer experience and offer customers this really omnichannel, unified commerce," Gao says. "We can give customers the convenience they want and the flexibility to shop how they want with PacSun."

FULFILLMENT VIA MARKETPLACES VERSUS WHOLESALE

Expanding into other channels like online marketplaces allows retailers to reach a new audience. And online shoppers are showing strong interest in marketplaces, according to a Digital Commerce 360 and Bizrate Insights survey of 1,000 online shoppers in May 2022. Nearly half of survey respondents (49%) said they make monthly purchases on marketplaces.

While convenient for customers, DTC retailers like Bean Box find that they must relinquish inventory control when selling wholesale or on marketplaces, Bean Box's Berk says.

HOW OFTEN DO YOU BUY FROM MARKETPLACES SUCH AS AMAZON, EBAY AND ETSY?

Daily	A few times a week	Once a week	A few times a month	Once a month	A few times a year
6%	18%	11%	32%	17%	16%

Source: Digital Commerce 360 and Bizrate Insights survey of 1,000 online shoppers, May 2022

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"When you sell 95% of your product over your website, you control your inventory," Berk says. "But once you start selling through Amazon, for example, there's a six-week minimum where we're essentially babysitting product available through Amazon to make sure we can meet demand."

Reaction times become more complicated as well, Berk says.

Berk says Amazon's Seller Central tools have made selling on the marketplace smooth. And while the retailer hasn't experienced any significant problems other than slight delays due to a label mismatch in Amazon's system, monitoring inventory is time-consuming and a bit tricky.

"If, for whatever reason, we run out of coffee and send a pallet to replenish inventory, it may take a couple of weeks for Amazon to process," Berk says. "Our product has to be fresh. So, we have to constantly monitor inventory levels and make sure things process quickly."

Berk says his team checks its Amazon FBA information daily. When product levels fall low, Bean Box sends more products and waits. That's a different timeline from replenishing its DTC inventory, where if a product sells quickly, Bean Box can stock up and have it ready to fulfill it quickly.

The hassle is worth it as typically, Amazon is 20% to 25% of Bean Box's overall holiday revenue and 10% to 15% of revenue the rest of the year.

"And the exposure and reach we get by selling on Amazon is invaluable," Berk says.

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ADJUSTING TO A WHOLESALE APPROACH

That loss of control also applies when selling wholesale, Berk says. Here, again, the benefits of aligning your brand with a mass merchant, in this case, Bean Box's venture with Walmart in February 2022, are worth it, Berk says. A Walmart buyer brought Bean Box on to sell in stores after viewing Bean Box's 2021 coffee advent calendar. The calendar offered customers a different sample of premium coffee from multiple roasters to coincide with the countdown to Christmas for the month of December.

The Walmart buyer wanted to find a product to appeal to its shoppers who wanted higher-end coffee instead of commodity brands that typically come in one- to 10-pound sizes. To accommodate the added business, Bean Box hired a full-time software engineer dedicated to wholesale support including generating labels with exact barcodes for cases and pallets.

A Walmart buyer brought Bean Box on to sell in stores after viewing Bean Box's 2021 coffee advent calendar. The calendar offered customers a different sample of premium coffee from multiple roasters to coincide with the countdown to Christmas for the month of December.

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"And we found it is a ton of work," Berk says. "Walmart's secondary packaging guidelines are 400-plus pages, and if you get things wrong, you lose money."

For a wholesale venture, working with a merchant like Walmart is worth the effort because it offers an opportunity to reach yet another new audience of customers, Berk says. But it's different from selling to end customers. Berk urges retailers to carefully consider how wholesalers view products differently from end customers.

"Your [wholesale] buyer is like your customer but is no longer the end customer," he says. "It's a buyer who is rounding out their own portfolio for shelf space or a section of their retail environment, and it's a totally different customer."

Bean Box's coffees are sold at about 900 Walmart stores throughout the U.S., and Berk says by the holidays 2022, the retailer plans to be in 1,700 stores. Berk expects its Walmart in-store wholesale revenue to account for 15% of Bean Box's total revenue for 2022. For a small number of stores, customers can order online and have the order shipped if the option is available in their ZIP code. Berk expects that percentage to grow in time, allowing online shoppers to find Bean Box products via Walmart.com as well.

SOCIAL COMMERCE DATA IS A WORTHWHILE INVESTMENT

The ultimate goal, whether selling through a direct-to-consumer website, a marketplace or wholesale, is to sell more. Reaching out to more customers via social media is playing a larger role for retailers like PacSun. Instagram checkout has become a growing channel for the retailer, though Gao did not divulge how significant. She did say that social media has prompted PacSun to invest in SoundCommerce to track customer data across all social channels,

which includes other social media platforms like Facebook. PacSun's presence has also grown on TikTok, another social platform popular with younger consumers, and recently reached more than 2 million followers.

"We had to find a way to put the data for these channels together," Gao says. "Secondly, we had to figure out how to identify them. Only if you recognize your customers and identify your customers can you segment them and do targeted marketing."

Within six months, SoundCommerce provided PacSun with the ability to unify point-of-sale in-store sales with digital sales information from Salesforce.com, as well as fulfillment data and order management data from Google Analytics. PacSun also has a native app shoppers can use for shopping via their mobile devices.

"I think we've been able to get about 80% to 90% of the customer data aggregated and organized, and SoundCommerce allows us to use that data to help target the customer for marketing," she says.

Expanding into other channels allows DTC retailers to expand their audience and reach a different crowd of customers. That requires retrofitting an existing system like PacSun, or building a technology stack of various vendors to fulfill needs as they arise, as with Bean Box.

"Managing these systems — our in-house and third parties like Amazon and Walmart — is one of the hard tricks of ecommerce," Berk says. "Once you start selling wholesale and through marketplaces, you're literally taking pallets of product and they are leaving your custody. So, it's important to use what tools we can to keep track."

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