

AMAZON'S ALGORITHM: YOUR ASSET

by Caitlin Orosz

There's no one approach to e-commerce; some CPGs rely on retailers, and some sell through their own channels. Whatever they're doing, it seems to be working. Based on data from IRI, online CPG sales in the United States totaled \$58.6 billion in 2018.

At the same time, Amazon is bigger than ever. Nearly half (46.7 percent) of US internet users start product searches on Amazon, compared with 34.6 percent who search on Google first, according to a 2018 Adeptmind survey. Amazon's online dominance continues to impact the face of online retail; it's only a matter of

time before CPG companies contribute as many resources to Amazon as they do to Walmart.

This market-dominating position has long been a focus of Amazon's efforts. Jeff Bezos once famously stated, "Your margin is my opportunity." It's time to admit that CPGs can't avoid the e-commerce giant. Instead, we must jump onboard and view the channel as an opportunity for growth.

Even though the total number of sales in the food and beverage category on Amazon is currently small, it's expected to climb. eMarketer points out that food and beverage was the

fastest-growing category on Amazon in 2018, up 40.1 percent. Research from GlobalData affirms that when it comes to buying food online, consumers are more likely to choose national brands. This makes Amazon a natural ally for established CPG brands.

Given these facts, CPGs should consider selling through Amazon. If you're not ready for that, at least think about the power of marketing through Amazon.

AMAZON AS ADVERTISER

It's time to acknowledge just how powerful Amazon is as an advertising platform. "Amazon is viewed as both a brand and a retail platform, and so has access to both brand marketing and shopper marketing dollars," said former Amazon Executive Connor Folley. "This is most notable in CPG where brands are accustomed to spending massive shopper marketing budgets for shelving." Now, he continues, this has "moved online where CPG brands view Amazon search results as the digital retail shelf."

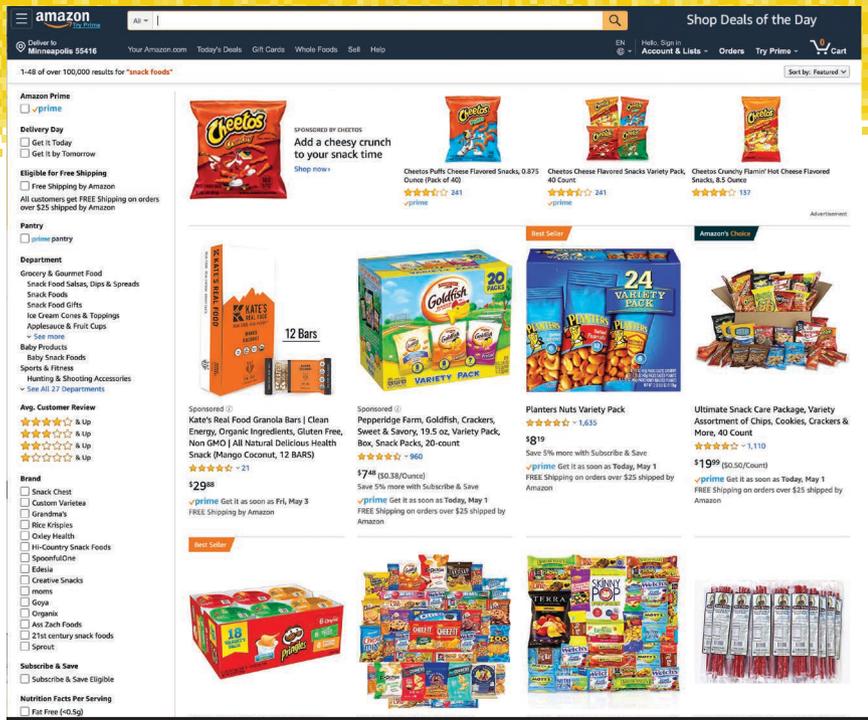
PRODUCT LISTING

Additionally, Amazon is used as a resource for product research. Shoppers can conveniently check out user reviews and look at photos of a considered purchase, all from their phone. You can tap into this behavior when you index your content and give customers complete



amazon

More shoppers are searching for products on Amazon than on Google. Do you have resources in the right place to grow your brand?



WINNING ON AMAZON: In 2018, the fastest-growing category on Amazon was food and beverage, up 40.1 percent. Consumers are moving to e-commerce more often for everyday grocery items.

information about your brand by optimizing your Amazon product listings. Of course, you also need to include images, descriptions and prices.

“We strongly encourage all consumer brands to load their content onto Amazon,” notes James Thomson, Partner at retail consultancy Buy Box Experts. “We have seen brands shift a large portion of their advertising dollars to Amazon over the past two years, as brands recognize that they can advertise directly to consumers when they are ready to make the purchase decision. The potential market here is anything but negligible.” According to IRI, 46 percent of respondents said they would switch to a new brand after reading food reviews online.

BRAND BUILDING

“You can’t afford to not work with Amazon,” says Jie Cheng, Director of Digital and E-commerce at Campbell Snacks Division of Campbell Soup Company. “E-commerce is a revenue channel, but it’s a brand-building channel for marketing as well. The strategy is to accelerate revenue growth while building our brand, especially on Amazon, given the reach of the platform.”

CONSUMER HABIT

Online shoppers have different expectations than in-store shoppers, and CPG marketers need to think through these differing preferences. To win over online shoppers, CPGs have to

win at search engine and social media marketing to drive sales. It’s no longer enough to create an eye-catching promotion or exploit brand loyalty that happens in store.

Most CPGs are supplying Amazon with the same inventory that they would stock at the supermarket, and that also doesn’t work. For many CPGs, winning on Amazon means, “creating different pack sizes or slightly different volume options, which can make it harder to make direct comparisons,” says marketing agency, SoMe. “Offering unique packaging, dropping prices slightly, and managing overall channel conflict – including pricing – are all part of successful marketing tactics that CPG brands can utilize for Amazon success.”

AMAZON AS A NEW PARTNER

Simply put, Amazon wants to gain the greatest share of household spending. It continuously tests new algorithms and ideas in an effort to reach that goal. For most manufacturers, working with Amazon is a new frontier. The path to purchase via Amazon bears little resemblance to long-established norms associated with brick-and-mortar retailers. In this case, it’s probably a smart idea to jump on the bandwagon. Start designing your marketing plans with Amazon’s disruption in mind. 🔥

Sources: OneSpace & Kenshoo