
tradeswell.
The Future of Empowered Ecommerce
How the Merging Of Human and AI Will Fuel Business Growth For Online Brands



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Introduction

The adoption of digital tools for commerce has been a long time coming. From Internet-connected Point of Sale terminals and supply chain management networks to entirely online storefronts, digital technology touches nearly every aspect of commerce in the developed economy. That technology-enabled world continues to grow more interconnected and more complex.

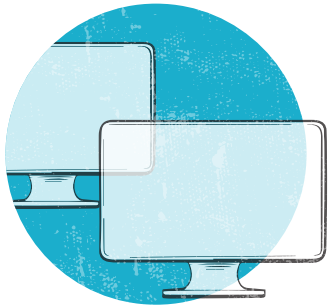
But what should the technology solutions look like? What are the challenges that brands in the sector face? What do professionals need in order to maximize their potential, and how should brands invest in platforms that drive growth and profitability?

In the summer of 2021, Tradeswell conducted a 15-minute online survey among 300 U.S.-based experienced professionals in the Consumer Packaged Goods (CPG), DTC or retail industries who have direct or shared decision making authority over ecommerce platform adoption and business operations. The company also discussed the findings in a series of qualitative in-depth interviews with ecommerce experts from top CPG and other brands to contextualize the research.

This report lays out our findings, from the ecommerce landscape of today and the challenges practitioners face to how AI blends with human intelligence to boost productivity and deliver results.

Are you ready to take charge of the future of your brand?

Key Findings



95% of businesses now sell in two or more online marketplaces

The acceleration of ecommerce adoption by consumers, coupled with lower barriers to entry, has driven nearly all U.S. businesses online. Brands are focusing on growing their online presence, especially their discoverability in third-party marketplaces.



What works in brick-and-mortar doesn't always apply in the digital world

The strategies that fueled revenue growth for many global brands in brick-and-mortar channels don't guarantee the same level of success online. And in some cases, they are even detrimental. Being out of stock, for instance, impacts marketplace algorithms and results in long-term consequences to a brand's bottom line.



Ecommerce brands are ramping up internal teams, but employees still feel overworked

More than three-quarters of ecommerce professionals intend to move away from agencies and instead grow their internal teams over the next year. However, nearly a third feel overwhelmed by the pace and quantity of their current workload, and they are now expected to have cross-functional skills (e.g., marketing, finance, ops) because they own the holistic management, execution, and performance of the channel.



Key Findings



Nearly 6 in 10 ecommerce professionals say ecommerce is becoming more complex

To meet their shoppers where they are, brands must sell across even more channels. But the more they add, the more challenging it is to balance regularly shifting variables, such as promotions, advertising, operations and logistics.



Over 50% say they struggle to maintain profitability at the SKU level

Nearly 80% cite at least one significant disadvantage of selling in digital marketplaces. Competition and lack of sales data are among the challenges, but profitability is at the top of the list. Due to reduced margins, onerous fees and lack of control over pricing and inventory, SKU-level profitability is hard to achieve – and maintain.



To empower teams to truly work together, ecommerce brands need next-generation AI

Respondents acknowledge that ecommerce is too complex to manage with human capital only, yet they are currently frustrated by existing technology. One in three say inaccessible or clunky technology actually restricts their ability to grow, and many struggle with making sense of their data and managing disparate point solutions. Commerce professionals want an integrated platform, a single source of truth, to unify their data, surface channel performance and clearly show which actions they should take.



Part 1: The Ecommerce Landscape

Consumers' shift to buying more online has been a consistent trend since the dot-com era began, and really took off in the past decade. The ecommerce sector grew its revenue in the 13%-17% range in the 2010's, running about ten points ahead of overall retail growth.

The COVID-19 pandemic accelerated that trend, with U.S. online sales jumping 44% in 2020.[1] Ecommerce sales as a percentage of total U.S. retail sales grew from 5% in 2011 to 13.6% at the start of 2021.[2]

While brands had been adjusting to an incremental shift in consumer behavior over a decade, the pandemic-induced acceleration was beyond what most could handle. Given the long-term trend's staying power and the short-term acceleration, it's time for brands to adopt new strategies and new tools to optimize their ecommerce play.

U.S. Online Sales Jumped

44%

and Now Represent

13.6% Of All U.S. Retail Sales



1 Alter Agents, Hyper Disruption Report, 2021.
2 U.S. Department of Commerce, Quarterly E-Commerce Report Series, 2021.

The Multiple Marketplace Strategy

Successful brands have always distributed their products through multiple channels. Consumer goods brands have long worked to get their products into as many physical stores as possible, whether those were department stores, grocery markets, or the corner drugstore. The same idea has to carry over into the ecommerce strategy. Just listing a product on a brand's direct-to-consumer website and on Amazon is not sufficient to reach enough consumers, especially as those consumers have the option of exploring more products in more places when they shop online.

Our study finds that 95% of businesses sell their products on more than one online marketplace.[3] That figure is so high because not only are there low barriers to entry when setting up a DTC sales website, but marketing via social media is accessible to anyone and the ability to list products on numerous third-party marketplaces is virtually ensured.

The bottom line is that if brands do not sell their products in multiple places online, then they're in the minority that isn't applying the transferable lessons that most have already learned from the brick-and-mortar era.



"In our marketplace 20 years ago, guys like me were absolutely essential to sell a product. You had to have relationships in the trade. You had to be able to call someone at Walgreens or Walmart or Target in order to get your products in. **Well, that's all changed now. You can literally start a brand from your house without ever touching the product in under three weeks.**"

CHIEF REVENUE OFFICER, DISRUPTER DTC & CPG BRAND

3 Tradeswell Ecommerce Study, 2021.



"I think a big assumption that's made is that the same principles that apply to brick-and-mortar apply with ecommerce, one for one."

CHIEF DIGITAL OFFICER, GLOBAL CPG BRAND

Growth Strategies Require Adaptation

Those transferable lessons from brick-and-mortar still need to be adapted for online sales. The strategies that have fueled revenue growth for many brands in their physical channels are not guaranteeing them the same level of success online. In some cases, applying the seemingly tried and true brick-and-mortar methods, whether they be process, organizational structure, or even the enabling sales technologies, end up being detrimental to their businesses when selling online.

This assumption can be quite detrimental. Consider the consequences of a product being out-of-stock. If a consumer is in a physical store and wants to buy a product in a specific color or size, that consumer can likely find something similar with the desired attributes if their first choice is out-of-stock, whether on their own through browsing or assisted by a sales associate. The similar product is probably located nearby – perhaps just inches away. That's not always true online. The serendipitous browsing around the store to buy something else that happens in the physical space doesn't transfer online. The consumer goes back to their preferred search engine and leaves the first online store entirely, and the sale is lost.

Further, online marketplaces often penalize brands that do not keep their products in stock. The marketplace has an overwhelming interest in only presenting shoppers with options that they can buy at that moment, especially when the alternative is to lose the sale entirely. When a product is often out-of-stock, or is out-of-stock more often compared to a similar product, marketplace algorithms will de-emphasize the less-available option in the future, bringing long-term consequences to a brand's bottom line due to a single stocking issue in a way that does not happen in the brick-and-mortar space.

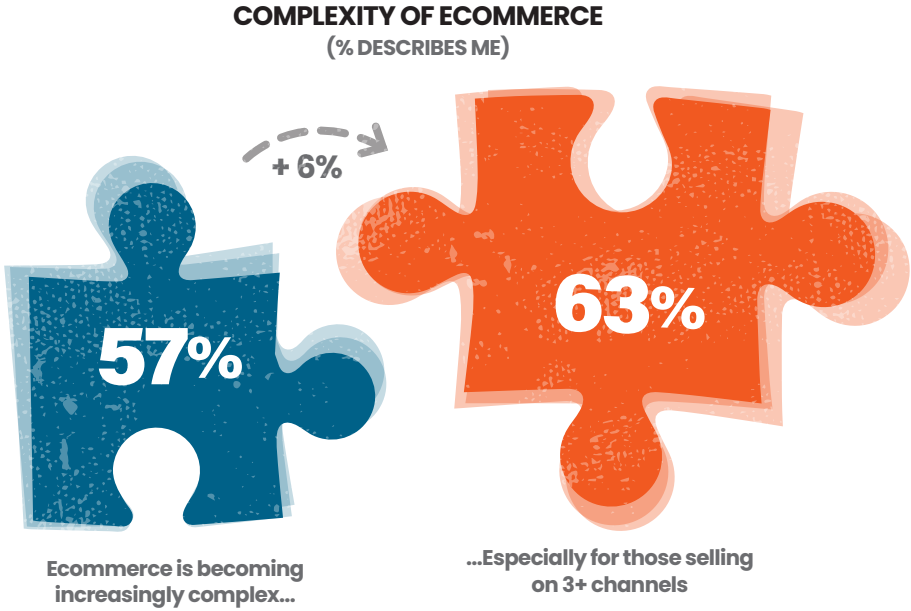
It's clear that while brands can apply brick-and-mortar strategies to ecommerce, the assumption that the principles and practices apply one-to-one is often wrong. Selling a product across multiple online marketplaces only works to the same degree if the brand alters its strategy to be more reliable. The general lessons are transferable, but their application must be tailored to meet the online world's realities.



Consumer Demands Challenge Brands

As consumers have shifted more of their buying online, they've also become more demanding. Shoppers have always wanted goods and services for the best price, and now they want them delivered at the quickest pace possible. A 2021 Alter Agents study found that two thirds of shoppers today will choose which online retailer to patronize based on shipping costs and speed, with half being the most interested in one-day shipping.[4]

That level of exacting consumer demand has become table stakes for competing in the online arena, and it's a significant challenge for brands. Managing ecommerce channels in a way that performs and innovates at the pace demanded by the market is hard, especially if a brand has adopted a multiple marketplace strategy. Of the ecommerce professionals we surveyed, 57% agree that the sector is becoming increasingly complex. This is especially true for brands selling on three or more channels, with more than three out of five agreeing.[5] As brands find that they have to sell across even more channels to meet their shoppers where they are, that challenge is going to worsen considerably.



"If you're not looking at your stuff daily on Amazon, your whole world can turn overnight. You can't run ecommerce brands with people. You have to combat technology with technology. These brands that are out there doing their own bidding and trying to manage their tickets and stuff without the true technology to keep up with the pace of the platform are falling behind."

CHIEF REVENUE OFFICER, EMERGING DTC AND CPG BRAND

4 Alter Agents, Shopper Influence Study, 2021.
5 Tradeswell Ecommerce Study, 2021.

TOP CHALLENGES THAT BUSINESSES ARE CURRENTLY FACING
(% DESCRIBES ME)

57% CHANGING ENVIRONMENT	53% HAVING INSIGHT INTO DATA	49% SUPPLY CHAIN	39% PROFITABILITY
Accurately forecasting sales in changing market conditions	Inability to view and manage overall business performance with unified data from all online channels	Managing inventory	Maintaining channel and SKU-level profitability
Variables such as product inventory, promotions, and advertising that constantly change	Inability to measure and score the productivity of my ecommerce optimization and advertising tactics and partners	Managing supply chain complexity and uncertainty	Getting nickel and dimed by platforms with fees and chargebacks
Understanding how business is performing in real-time	Extracting actionable insights from siloed data spanning sales, marketing, operations	Seasonality and dealing with out-of-stock issues	Optimizing ad campaigns and ensuring that advertising is not spent unnecessarily

Beyond the complexity involved in reaching shoppers, brands have to adapt to a constantly changing environment. The mechanics of selling online successfully involves balancing regularly shifting variables, from promotions and advertising to operations and logistics. We found that nearly three in five ecommerce professionals cite accurately forecasting sales, product inventory availability, promotions, or sales performance shifts as being among their top challenges.[6]

On top of that, those professionals lack an integrated technology platform to help them understand performance in real time.

Meeting those challenges requires a solid strategy that's supported by a technological solution with the ability to track real time performance, consolidate and harmonize different data streams, and extract actionable insights in order to optimize performance and protect profitability.

6 Tradeswell Ecommerce Study, 2021.



Part 2: The Omnichannel Opportunity

The vast majority (95%) of businesses now sell on more than one online marketplace. And, while many note that the online marketplace model is not easy for brands (i.e., competitive pricing and excessive fees that can eat into margins), their presence on those marketplaces is evidence that the challenges are well worth navigating given the access to the (now nearly insatiable) consumer buying behavior that is fueling marketplace growth.

Brands that sell on multiple marketplaces benefits from the sheer scale of consumers, as well as the wider range of customers representing various demographics and product demands. It's no wonder that 30% say marketplaces are critical to achieve growth.[7]

95%

Of Businesses Now Sell in 2+ Online Marketplaces

7 Tradeswell Ecommerce Study, 2021

The Challenges Marketplaces Pose

While 20% of the ecommerce professionals did not cite any disadvantages to the marketplace model, most acknowledge the myriad of challenges inherent in it.[8] Those issues range from the vast range of competing products listed in the same place to difficulty managing prices and promotions. Or the problem is that the online marketplace owners, like Amazon, Walmart, or Target, charge significant fees and myriad chargebacks for listing products on their platforms. Or that they won't provide complete sales data so that brands can better know their consumers to meet their future needs.

Despite these challenges, ecommerce professionals agree that it's well worth the effort. After all, only a brand that is truly omnichannel, meeting all target customers where they shop, will be able to scale their business through top-line sales growth.

TOP DISADVANTAGES OF MARKETPLACES (RANKED)

1. Too much competition
2. Difficult to manage price and promotion
3. Selling in online marketplaces will sacrifice margin
4. Fees and chargebacks are excessive and lack transparency
5. Negative reviews are back-breaking
6. Not enough data is available
7. Hard to be profitable



8 Tradeswell Ecommerce Study, 2021.

Growth vs. Profitability

Most ecommerce professionals agree that it's difficult to balance growth and profitability, but they're split on which should be the focus of their efforts. Slightly less than half of those we spoke with say that the future of ecommerce is all about revenue growth and that gross sales is the most important metric for them to chase. Slightly more than half argue that the future is all about profitability, so that should be their focus.[9]

Despite the tension between those concepts and the challenges that marketplaces pose to maximizing either, many ecommerce professionals recognize that marketplaces and ecommerce partners are necessary. Through these outlets, the brands get access to a wider range of customers, and nearly one in three believe it is critical to achieve the growth that they have planned in their business.

"They're the number two search engine. Consumers go there to find and discover products. If you're not there, you're going to miss a whole chunk of people who never even go to Google to search. They start and end with Amazon."

GLOBAL VICE PRESIDENT, DIGITAL MARKETING AND ECOMMERCE



9 Tradeswell Ecommerce Study, 2021.

1 IN 3 ECOMMERCE PROFESSIONALS FEELS OVERWHELMED AND CONFUSED ABOUT HOW TO BE PROFITABLE ONLINE



AS GROWTH CONTINUES, BRANDS INTEND TO HIRE FOR THESE ROLES INTERNALLY

78%

Intend to bring an ecommerce expert in-house

Managing the Opportunity

The growth of ecommerce is expected to continue, regardless of the metric. It won't fully subsume the brick-and-mortar experience and the rate of growth post-pandemic won't match 2020's, but all consumer and market trends point to more commerce happening online. That future demands changes in how brands operate.

Our study finds that ecommerce professionals believe that more work and ecommerce expertise is going to have to move in-house in order to be effective. More than three quarters of the ecommerce professionals we interviewed say that they intend to bolster their internal teams over the next year just to handle their current situation.[10] As ecommerce becomes a bigger slice of the brand's revenue pie, it'll need to in-house more of the work that was previously done by outside agencies so it's not so reliant on third parties. This is a strategic necessity.

With that work and human capital moving under one brand's roof, managing the organization's workflow and aligning company and personal success will be a higher priority. Succeeding in ecommerce is not easy – nearly a third of the professionals we surveyed said that they're overwhelmed by the pace and quantity of the work they have to handle.[11] That isn't sustainable, especially when the labor market tips the advantage to workers like it has for the professional class in the wake of the COVID-19 recession. If a generation of workers learned in the Great Resignation that it isn't so scary to quit a job and look for something better, retaining a talented team with the right skills will be a harder thing for managers to do.

10, 11 Tradeswell Ecommerce Study, 2021.

This study demonstrates that a successful team requires skills and experiences that span multiple positions, from finance and operations to marketing and merchandising. Those functions are often siloed in traditional retail, but that won't work for the future of ecommerce. Leaders in this space are responsible for the holistic management, execution, and performance of the channel.

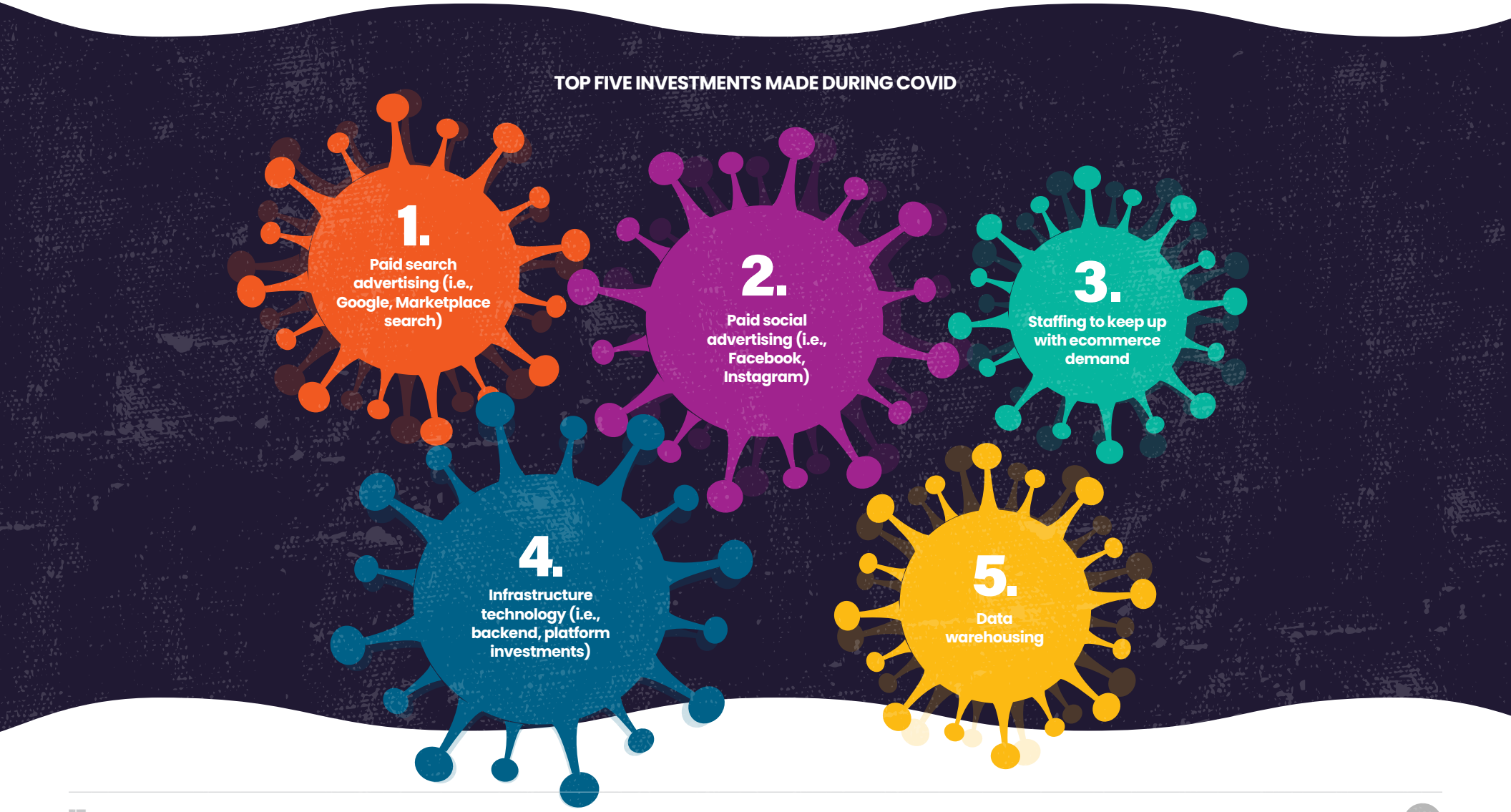
Consumers live in a borderless world in which they roam freely between a brand's social media channels, email campaigns, DTC websites and product pages on digital marketplaces. Today's retail organizations must begin to become borderless, too. Organizations must recognize where previously separate functions begin to overlap and address those overlaps by providing teams with the proper tools and platforms.

And, as it becomes more clear that the hybrid workplace (i.e., combination of remote and in-person experience) is the future, technology to enable collaboration and coordination will be more important than ever. Over the past two years, all workplaces have implemented technology tools such as video conferencing and cloud-based project management, but these simply facilitate better communication among remote teams. To work together simultaneously, making decisions and taking action to achieve specific outcomes, these teams now require operating systems, where they can each take a seat in the cockpit, so to speak, to do their part to drive the business forward.



During the Pandemic

The market forces created by the pandemic spurred ecommerce leaders to increase short-term investments in advertising, but also long-term strategic investments like human resources and technology systems.





Part 3: The Merging of Human and AI

The increasing complexity of the ecommerce landscape and the challenges that future poses to professionals demands a technological solution. Not one that's tech-only, but one that blends human ingenuity with artificial intelligence, where machines do the grunt work through automation and humans focus on sales strategy, physical product development, service offerings, and meeting consumer needs. As the AI learns, it better empowers the human teams by surfacing which decisions require a human touch, allowing professionals to focus on value-add work.

80%

Of Ecommerce Managers Want Actionable, AI-Derived Insights

Specific To a Brand's Goals and Objectives

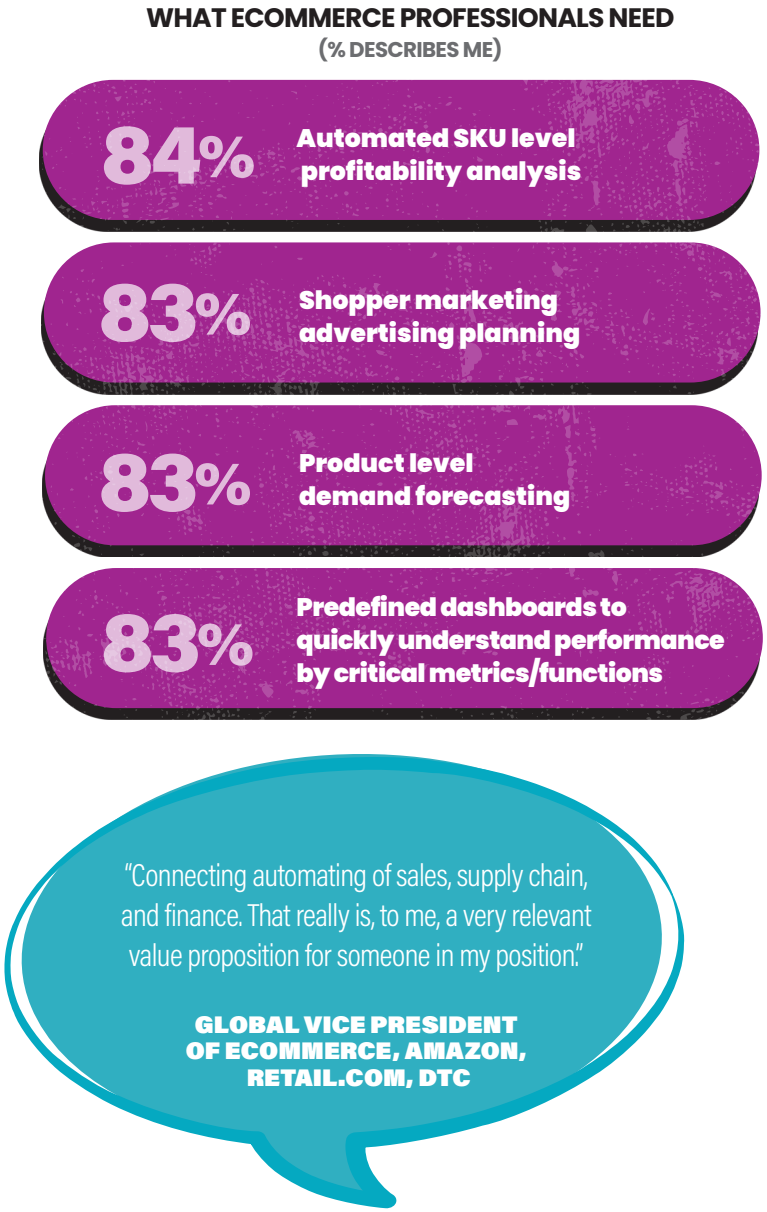
Leaving Tech to the Experts

How brands make the investments to get to that future matters. This is where it makes sense to turn to external technology partners, even as the strategic human resources are moved in-house.

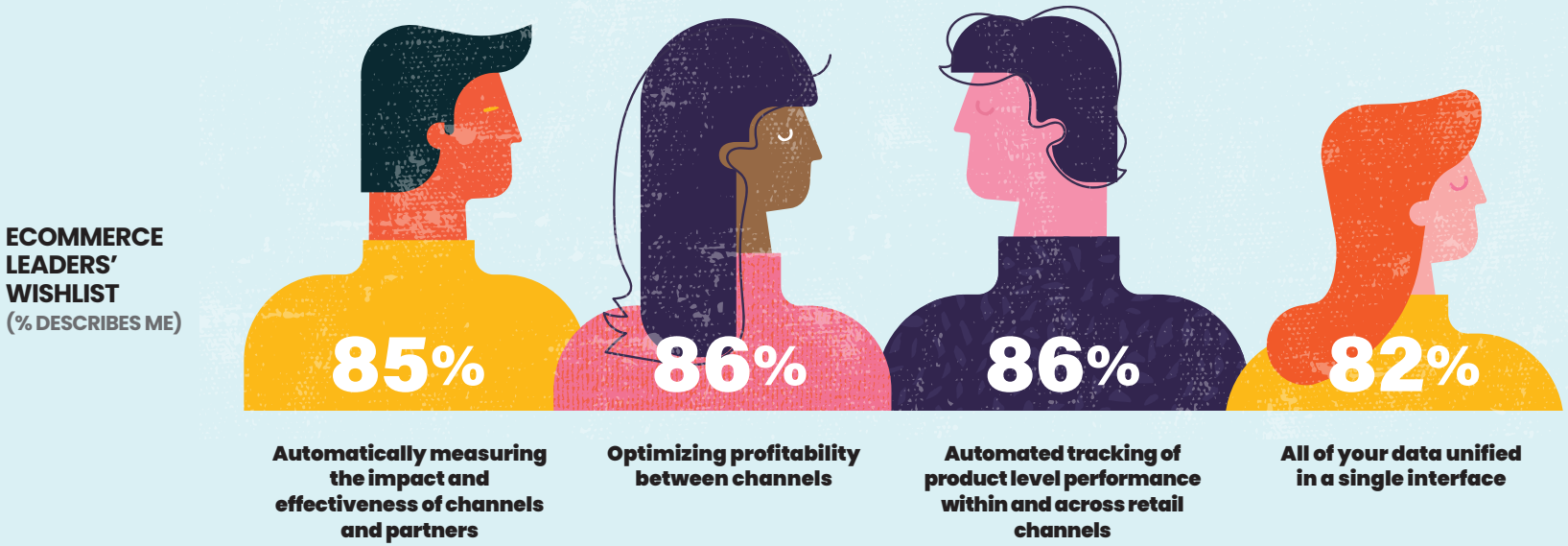
Building entirely new, proprietary tech platforms and capabilities is expensive and time-consuming. Keeping those platforms from going stale requires regular updates and significant reserves for research and development. Technology firms specialize in doing that, and they'll always do a better job of it than a brand will alone. Bringing in the technology from outside allows the brand to focus on the consumer, improving the actual product offering and leveraging tools to get that product to the market.

Most current technology offerings on the market don't meet the full needs of ecommerce teams. The majority of SaaS vendors in ecommerce offer only point solutions, which are designed specifically for a function, or even worse, a function within a specific channel. Brands need solutions that span marketplaces and functions; they can't have dozens of point solutions to run their business across the various channels.

Additionally, these point solutions – or the combination thereof – are often expensive. Nearly one in three ecommerce professionals in our study say that inaccessible or clunky technology actually restricts their ability to grow. Many also struggle with making sense of the data.[12] That isn't enabling a programmatic future – it's just frustrating. Commerce professionals need an integrated platform that simplifies their lives, instead of complicating them.



12 Tradeswell Ecommerce Study, 2021.



What Ecommerce Professionals Need

The results of our study are clear – the right technological solution for ecommerce professionals is one that serves as a single source of truth for the end-to-end management of the practice. It connects sales optimization, supply chain operations, and financial management to make running an ecommerce business more efficient and effective. Of the ecommerce professionals we surveyed, between almost nine out of ten told us that automation is key, along with unified data and adequate channel efficacy measurement.[13]

The automation that professionals are demanding requires leveraging artificial intelligence – but not just any AI. Ecommerce leaders today have blended responsibility, almost a general management purview, compared to brand and retail operations of yesteryear. They require a next-generation AI that uplifts the productivity of teams by automatically surfacing the specific insights they need to take action on for product innovation, pricing agility, and service improvements. They need an AI that can create the equivalent of an operating system – a way to connect data across all functions, that introduces a new level of interoperability.

13 Tradeswell Ecommerce Study, 2021.

Just as early business intelligence tools empowered teams by democratizing data and socializing insights, today's ecommerce operating systems go beyond by harmonizing data and delivering actionable intelligence – for all ecommerce leaders.

AI is a critical new frontier for success within ecommerce – an area that all brands, from Fortune 500 CPGs to DTC disruptors, must strategically implement if they are to succeed in the ever-expanding world of infinite products being sold in digital retail marketplaces.

Ultimately, the merging of human and AI has the function of creating function, by taking the complex and making it simple, all in the name of providing more utility to the end user.





About Tradeswell

Tradeswell is the first operating system for real-time commerce. With the increasing complexities of ecommerce, brands need the ability to make faster, smarter decisions to grow. Our advanced platform harmonizes all of your data, surfaces AI-derived performance insights, and unlocks cross-channel collaboration to empower brands to make the choices required to deliver growth and profits. Tradeswell is what is next, available to brands now.

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