



2021 Edition

Brands, Amazon, and the Rise of E-Marketplaces

A Report Based on a Survey
of 1,000+ U.S. Brands

Feedvisor



Introduction

The digital revolution of 2020 upended the retail industry beyond the point of return, solidifying consumers' digital-first shopping behavior and amplified expectations for quality, assortment, convenience, speed, and value.

Amazon — and the broader, emerging marketplace ecosystem — was the only channel well-equipped to meet each of these consumer demands within a single shopping destination. Resultantly, just as consumers can no longer be without e-commerce, brands and retailers can no longer be without Amazon and e-marketplaces.

Indeed, e-marketplaces were the biggest beneficiaries of consumers' accelerated adoption of e-commerce, driven by the Covid-19 pandemic. In 2020, Amazon grew its e-commerce market share to 39%, while Walmart displaced eBay as the No. 2 online player in the U.S., with 5.8% market share, per eMarketer.

Other e-marketplaces, including Best Buy and Target, have seen sales increase up to 100% year over year, and The Kroger Co. has emerged as a legitimate challenger, displacing Macy's as the tenth largest retailer by e-commerce sales.¹

In this new era of retail, brands can no longer afford to ignore Amazon's significance, nor can they afford to rely solely on their owned channels for the scale and reach needed to compete in a marketplace-dominated world.

In its third annual installation, **“Brands, Amazon, and the Rise of E-Marketplaces”** documents more than 1,000 U.S. brands — from enterprise-level to Fortune 500 companies — and their unique relationships with Amazon and e-marketplaces, including a deep dive into their advertising and media strategies, plans for expansion, the pandemic's impact on their businesses, as well as specific areas of competition and opportunity.



Dani Nadel

President and Chief Operating Officer, Feedvisor

¹eMarketer, 2020

This survey was conducted by Zogby Analytics, a nationally and internationally respected opinion research firm, on behalf of Feedvisor. It was distributed online from Dec. 16, 2020, to Jan. 2, 2021, among a national sample of 1,000+ retail business decision makers. Results from the full survey are based on a confidence interval of 95% and have a margin of error of plus or minus 3.1 percentage points. All numbers have been rounded to the nearest percent.

Key Takeaways

42%

more brands are **selling on Amazon** this year compared with last year.

61%

of brands on Amazon have seen their overall **revenue increase by up to 30%** in 2020 due to the pandemic.

44%

of brands see a **7x–10x return** on Amazon Advertising.

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To optimize your end-to-end e-commerce strategy,
get in touch with us at feedvisor.com/connect

WHO ARE TODAY'S BRANDS?

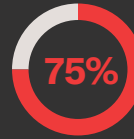
BRAND TYPE



Digitally Native



Private Label



Retail Brand



National or Global Brand

ANNUAL SALES VOLUME

14% — \$10M-\$50M

20% — \$51M-\$100M

32% — \$101M-\$500M

18% — \$501M-\$1B

16% — \$1B+

TOP RETAIL CATEGORIES



41%

Clothing, Shoes, & Jewelry



36%

Electronics



30%

Home & Kitchen



29%

Cell Phones & Accessories



29%

Beauty & Personal Care



28%

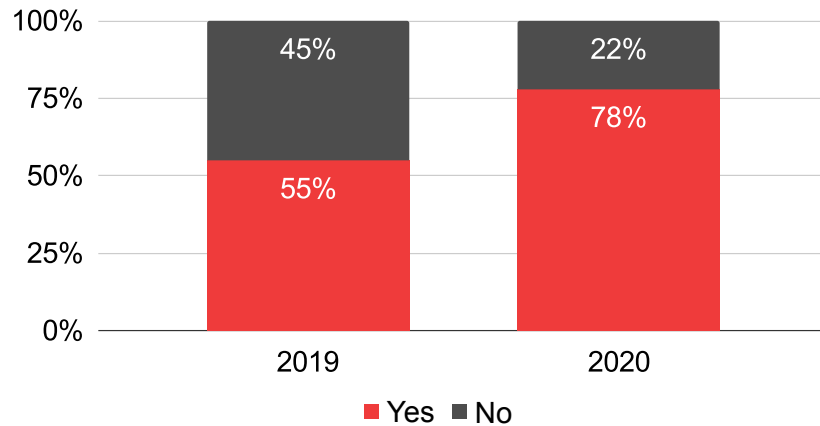
Grocery & Gourmet Food

The Age of Amazon

Brands See the Imperative for an Amazon Strategy

Now more than ever, brands recognize Amazon's central role in their overall e-commerce strategy. Over three-quarters (78%) of U.S. brands are currently selling on Amazon's marketplace, up from 55% last year.

Brands Currently Selling on Amazon



With an estimated 142 million Amazon Prime members in the U.S. and growing, it is no surprise that brands — even those once hesitant to sell on the platform — are adopting an Amazon strategy to reach this vast, valuable, and highly loyal customer base.¹

At the height of the pandemic — when physical store shelves were low on stock and social-distancing mandates were in place — Amazon was uniquely positioned to meet consumer demand for rapid delivery on millions of items across numerous essential and nonessential product categories.

Lacking the reach, fulfillment infrastructure, and product assortment by comparison, brands learned they cannot rely solely on their own e-commerce website or brick-and-mortar footprint to sustain their growth in a marketplace-driven climate and meet their customers' ongoing needs.

Establishing an Amazon presence ensures visibility where consumers shop as well as provides brands an additional revenue stream and fulfillment options in a time where supply chain challenges are ample and consumer convenience is a priority.

For brands who are not currently selling on Amazon, 26% want to start within the next 12 months and 18% want to start within one to three years. This indicates brands' heightened sense of urgency to incorporate Amazon into their e-commerce mix as well as their perception of Amazon as a long-term play.

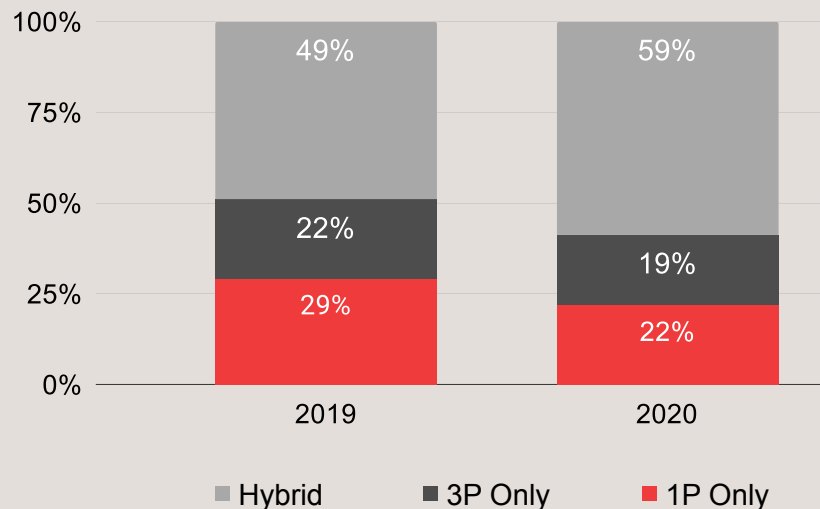
¹Market Watch, 2021

More Brands Are Taking a Hybrid Approach to Selling on Amazon

Over half (59%) of brands selling on Amazon are taking a hybrid approach, leveraging both first-party (1P) and third-party (3P) selling models — up 20% from last year.

On the other hand, 22% of brands operate exclusively via 1P and 19% sell solely via Amazon's 3P marketplace, down 24% and 14%, respectively, from last year.

Brands' Selling Models on Amazon



Amazon is a pivotal entry point that often sets the tone for the brand and customer experience. As such, brands must identify ways they can leverage the platform to best engage with consumers.

A hybrid approach enables brands to maintain control over key aspects, like pricing and inventory, while also strategically leveraging Amazon's infrastructure in areas such as fulfillment and marketing on key ASINs.

By leveraging a data and technology partner to optimize their Amazon presence, brands can identify unauthorized sellers and MAP violators, increase market share, maintain influence and protection over intellectual property (IP) and product listings, and create a more seamless brand experience across channels.

Opportunity on Amazon's 3P Marketplace

Of the brands that sell exclusively via 1P, 80% said they are interested in expanding to Amazon's 3P marketplace, compared with 72% who indicated so last year.

While Amazon's 1P and 3P marketplaces offer their own advantages, brands must consider several factors to determine the best model for their unique needs, including their size, desired level of control, fulfillment capabilities, budgets, and business objectives.

80%

of 1P brands want to expand to Amazon's 3P marketplace.

With a 3P selling strategy, as well as access to data and niche Amazon expertise, brands can have greater control over their brand and customer experiences on Amazon.

AMAZON 1P

- The brand operates as the wholesaler and Amazon operates as the retailer, controlling merchandising, inventory levels, and so on.
- Amazon controls most of the brand and customer experience, such as pricing and returns.
- The brand has access to Amazon marketing features, like specialty badges.
- Amazon handles the supply chain and fulfillment, and ultimately owns the product.

VS.

AMAZON 3P

- The brand sells directly to consumers and acts as the retailer, controlling merchandising assortment, inventory levels, and more.
- The brand controls all aspects of both the brand and customer experience, including pricing, marketing, and brand messaging.
- The brand manages inventory levels at Amazon FBA or its own warehouse, and maintains ownership of the product.

Amazon Viewed as an Opportunity to Gain New Customers and Increase Sales Volume

From its cutting-edge supply chain and innovative marketing services to its vast shopper base and customer analytics, there are certainly numerous incentives and advantages to adopting an Amazon strategy.

When asked to indicate how much they agree or disagree with various statements about “the best part of selling on Amazon,” brands on and off Amazon revealed consistencies around both their experiences and perceptions of operating on the marketplace.

Brands on Amazon agree that the most compelling benefits to selling on the platform are new customer acquisition (91%), increased sales volume (91%), increased market share (90%), access to customer insights and analytics (88%), and generating brand awareness (88%).

Brands not currently selling on Amazon share a similar perception, with the same aspects ranking among their top five most compelling benefits to selling on the platform.

This indicates that both brands with and without an Amazon presence recognize the opportunities the platform presents for establishing and expanding their customer base as well as growing their revenue.

Top 10 Best Parts About Selling on Amazon

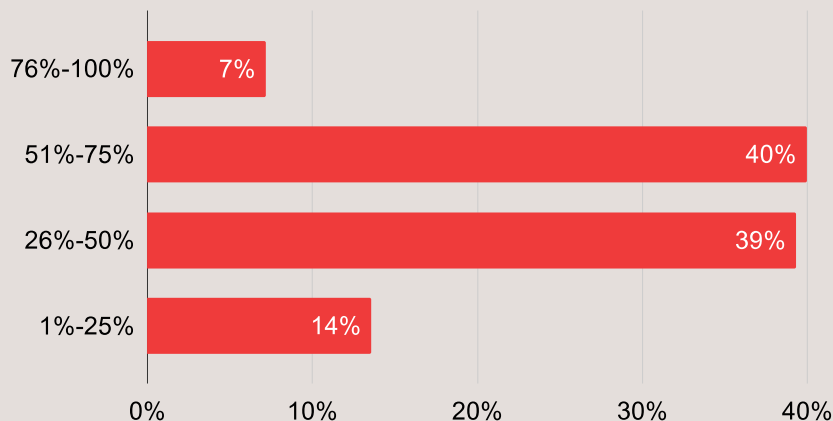
- 1 Acquiring new customers
- 2 Increased sales volume
- 3 Increasing my market share
- 4 Access to customer insights and analytics
- 5 Receiving customer feedback
- 6 Generating brand awareness
- 7 Reaching existing customers
- 8 Advertising and branding options
- 9 Shipping and fulfillment support
- 10 Leveraging Amazon's credibility

Amazon Is the Main Driver of Brands' Overall E-Commerce Sales

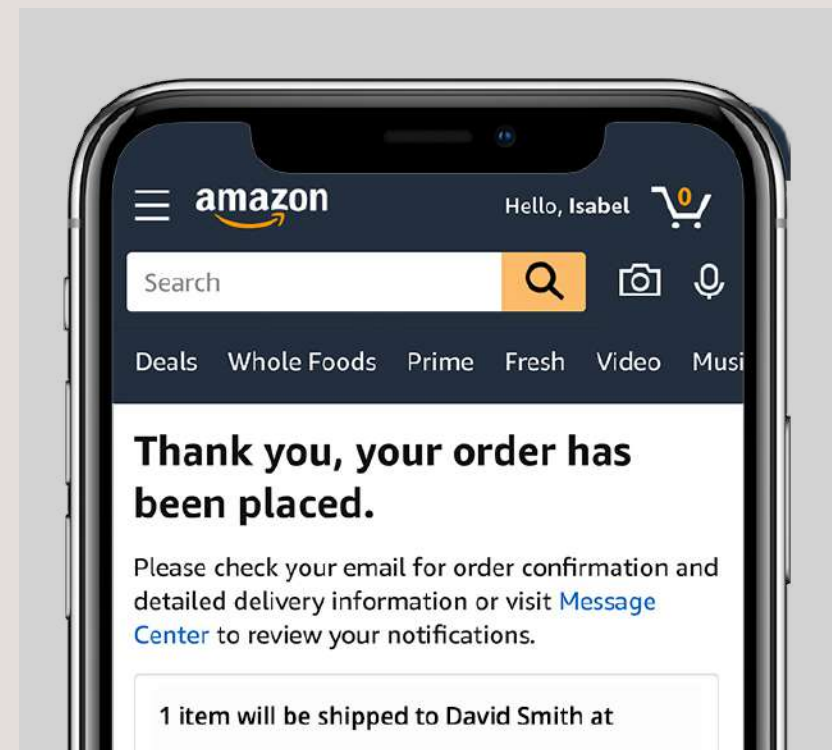
U.S. e-commerce sales in 2020 reached \$794.5 billion, up over 32% year over year.¹ With nearly 40% of e-commerce market share, Amazon and the brands and merchants which operate on its marketplace were the leading beneficiaries of this accelerated growth.

For 47% of brands with an Amazon presence, the platform represents more than half of their company's overall e-commerce sales, up from 42% last year. For more than three-quarters (79%) of brands on Amazon, the platform generates 26%–75% of their e-commerce sales, up from 71% last year.

Percentage of Brands' E-Commerce Sales From Amazon



Indeed, brands increasingly rely on Amazon to maximize their exposure and drive incremental sales. As Amazon grows more dominant in the U.S. e-commerce market, the platform is becoming a more prominent source of brands' overall e-commerce sales and revenue.



¹eMarketer, 2020

Prime Day 2020 Was Unlike Any Other in the Event's History

When Amazon postponed its annual Prime Day shopping event to Oct. 13–14, from its traditional mid-July date, brands were left with much uncertainty around how the new date would impact consumer shopping behavior as well as their overall Q4 strategies and performance.

Despite the uncertainty, Prime Day 2020 was another record-breaking success for both Amazon and its merchants — 41% of brands on Amazon said they benefited from the new October date and saw sales increase from the year prior.

Prime Day 2020, in a nutshell

\$1.4 billion saved

Prime members saved over \$1.4 billion on Prime Day

That's equivalent to:



1 Trillion
Waffles



700 Million
Pairs of socks



233
Pirate ships

Brands' Takeaways From Prime Day in October

41% of brands saw sales increase

and said they benefited from the new date.

31% of brands said their sales

were flat because they had to pivot to holiday promotions.

12% said the new date had no impact

on their business.

10% of brands lost sales with the absence of Prime Day in July.

6% of brands were unable to participate

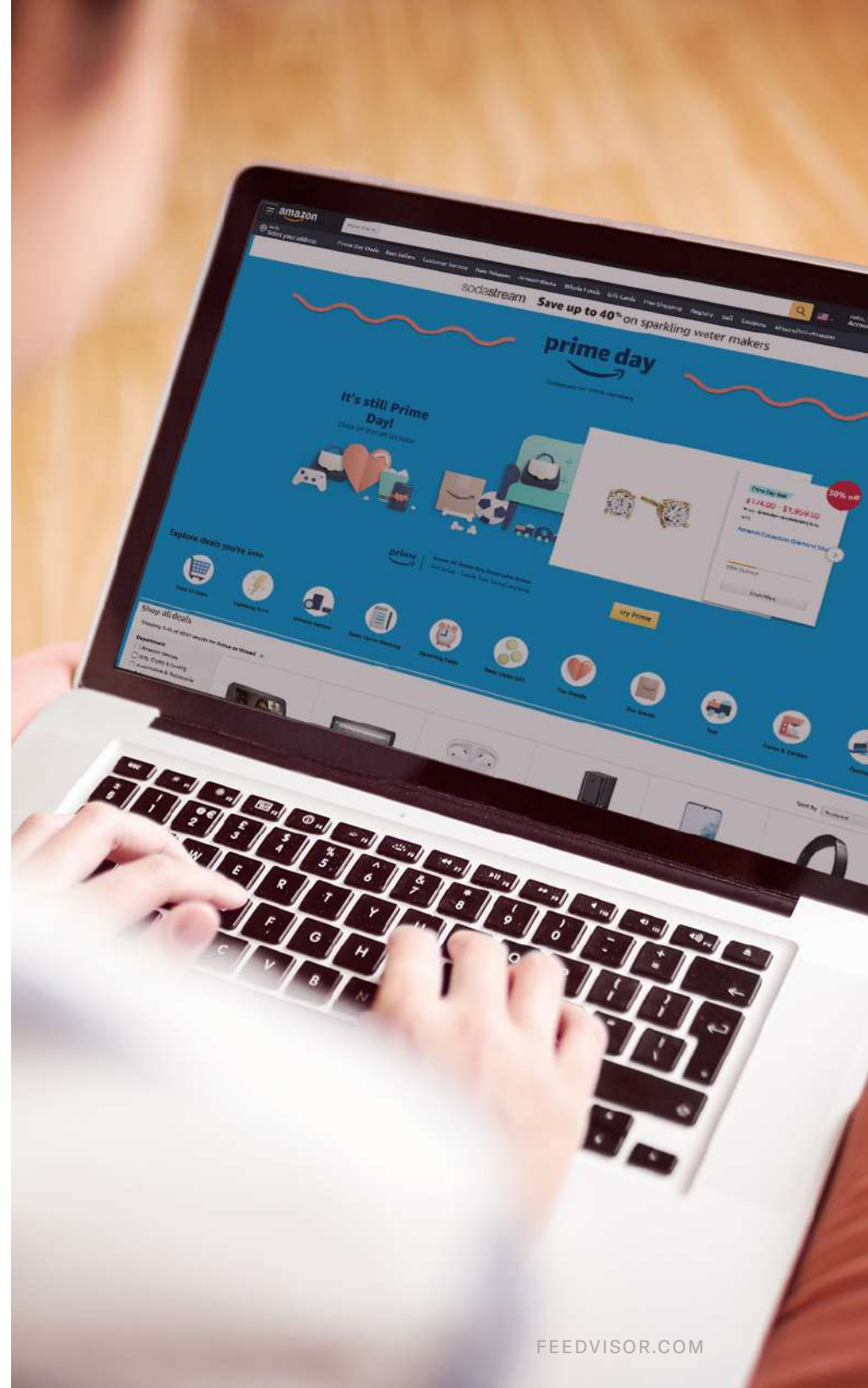
because of the new date's proximity to Q4 holiday promotions.

Prime Day occurring in Q4 forced brands to pivot their strategies around marketing, pricing, inventory, and more to accommodate an earlier start to the holiday shopping season and spikes in consumer demand.

Still, two-thirds (66%) of brands selling on Amazon felt positively about Prime Day taking place in October, while 31% felt neutral and 3% said they felt negatively about the event's new Q4 date.

When asked how their summer strategies would change if Amazon were to continue holding Prime Day in October, 23% said they would participate in other summer promotions on Amazon, such as the Big Summer Sale, which took place in June 2020 to offset the absence of Prime Day in July.

Over a quarter (28%) of brands said they would launch a summer promotion on another e-marketplace, should Amazon continue to hold Prime Day in October, while 27% said they would launch a summer promotion on their own e-commerce site and 21% said they would reserve their inventory and promotional offerings for the Q4 holiday season.

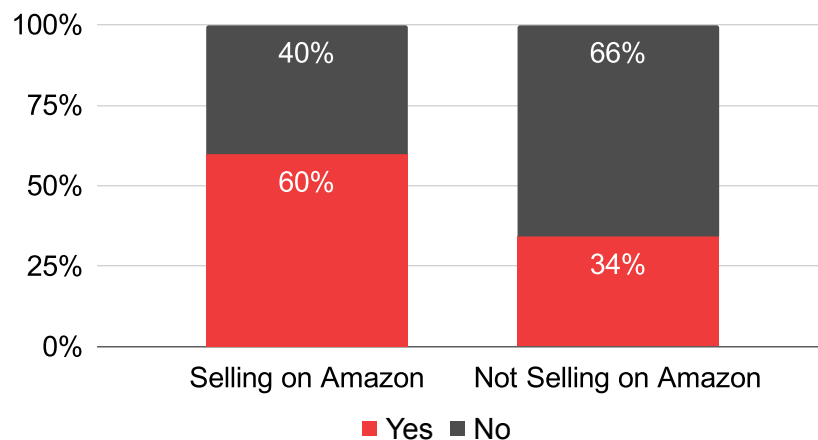


Brands Leverage Prime Day Hype for Off-Amazon Promotions

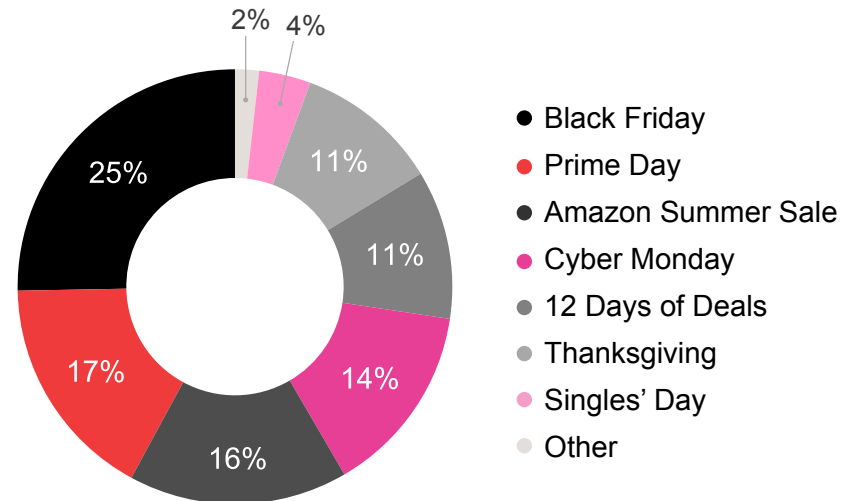
Prime Day is always an historically critical selling period for brands, both on and off Amazon. The annual shopping event has come to determine when and where brands and other retail players, such as Walmart and Target, launch their own promotional events in an effort to leverage the increase in search traffic and consumer interest.

Over half (54%) of all brands surveyed said they run promotions on their own channels to compete with Prime Day, up from 49% last year.

Brands Run Off-Amazon Promotions to Compete With Prime Day



Shopping Events That Drive the Biggest Increase in Sales



However, that number jumps to 60% when examining solely brands that are currently selling on Amazon. Of those that are not selling on Amazon, 34% said they run promotions on their own channels to compete with the annual event.

Interestingly, while Prime Day is critically important, the Q4 holiday season is paramount to their bottom lines.

One-quarter (25%) of brands see the biggest increase in sales during Black Friday, followed by Prime Day (17%) and Amazon's Big Summer Sale (16%).

How Covid-19 Impacted Brands in 2020

Brands on Amazon Saw a Dramatic Change in E-Commerce Sales and Revenue



Brands Experimented With New Strategies During the Pandemic



Brands Saw a Disruption in Q4/Holiday Sales Performance



Advertising and Media Trends

Brands Accelerate Adoption of an Amazon Advertising Strategy

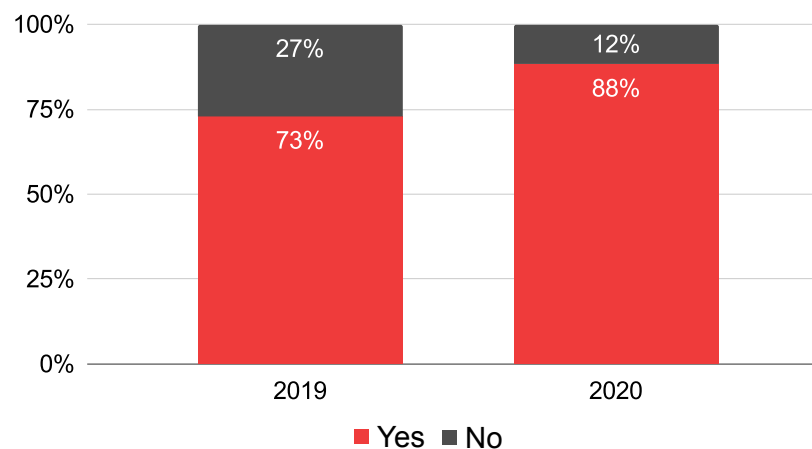
Alongside consumers' accelerated adoption of online shopping during the pandemic is the heightened growth in e-commerce advertising.

In fact, 41% of brands said Amazon Advertising was among the new strategies they had deployed during the Covid-19 pandemic.

In 2020, e-commerce advertising represented over 12% of U.S. digital ad spending — and Amazon is the largest platform, with over 75% market share.¹ As Amazon accounts for a larger, growing portion of brands' e-commerce sales, more brands are leveraging Amazon Advertising to target shoppers with high purchase intent at precise moments of their shopping journey.

The majority (88%) of brands use Amazon's advertising platform, a 21% increase from last year. Certainly — given the significant level of competition on the marketplace, as more brands adopt an Amazon presence — advertising on the platform has become an essential component to brands' Amazon strategies in order to drive discoverability and conversions.

Brands Advertising on Amazon



Of those that advertise on Amazon, 21% are 1P brands, 19% are 3P brands, and 60% are hybrid brands, indicating the importance of an Amazon Advertising strategy regardless of your brand's selling model.

¹Marketing Dive, 2020

Escalating Competition Drives Increased Amazon Ad Spend

Brands are drastically upping their ad spend on Amazon to better compete in the saturated market. With 9 million new digital buyers in 2020, brands understand the imperative for a robust advertising strategy that aligns with the sustained shift in consumers' search and shopping behavior.¹

Over half (59%) of brands spend over \$60,000 monthly on Amazon Advertising compared with 38% who did so last year.

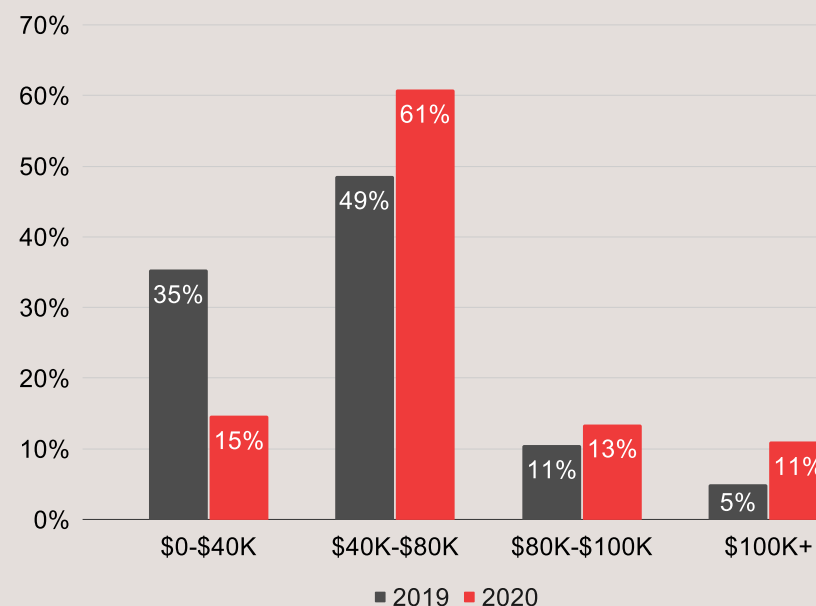
In addition, 35% of brands spend between \$61,000–\$80,000 per month, marking a 54% increase from last year. Marketers spent over \$17 billion advertising on e-commerce channels in 2020, the majority of which was spent on Amazon.

In 2020, the company is forecasted to net over \$13 billion in e-commerce channel ad revenue, up over 39% from 2019. By 2022, Amazon is projected to account for 77% of the market.²

Certainly, Amazon provides key advantages over other media channels, specifically in terms of shopping and intent data for audience targeting as well as closed-loop attribution for measurement and optimization.

As Amazon continues to enhance its ad features and reporting capabilities, we can expect to see more brands increase their investments as they see greater, tangible value from the platform.

Brands' Monthly Spend on Amazon Advertising



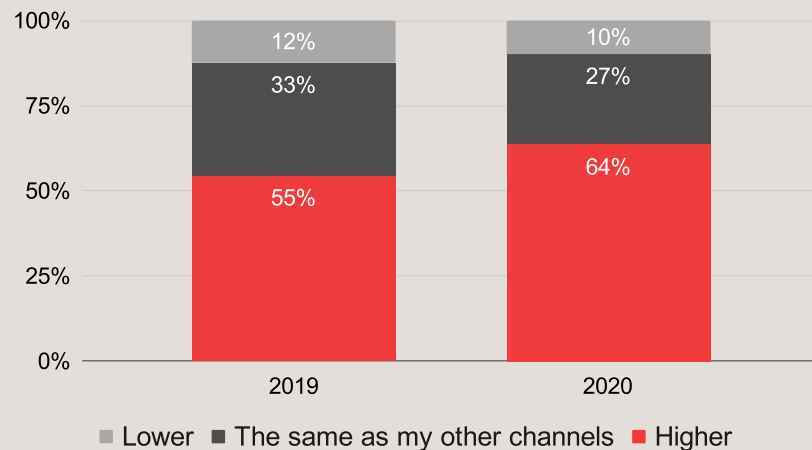
¹Statista, 2021

²Marketing Dive, 2020

Brands See Value in Pay-to-Play Advertising Model

Nearly two-thirds (64%) of brands on Amazon said their Amazon customer acquisition cost (CAC) is higher than that on other platforms, up from 55% last year. Over one-quarter (27%) said their Amazon CAC is the same as other channels, down from 33% last year, while 10% said it is lower, compared with 12% last year.

Amazon Customer Acquisition Cost Compared to Other Channels



There are various factors that can be attributed to a higher Amazon CAC versus other channels — marketing and advertising costs among them. Additionally, brands must consider other fees associated with selling on Amazon, such as fulfillment and referral fees.

Brands can maintain an optimal Amazon CAC by regularly improving their overall user value and closely monitoring their advertising performance, specifically through Amazon's new-to-brand metrics, which distinguish whether an ad-attributed purchase was made by a repeat customer or a "new" customer.

However, despite the higher cost per customer acquisition, 100% of brands said they see value in Amazon Advertising, up from 98% last year.



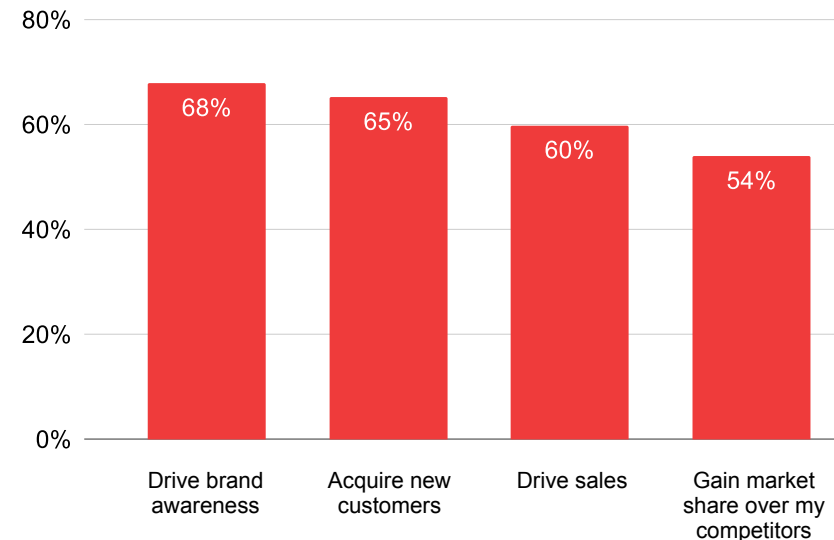
Amazon Emerges as a Full-Funnel Advertising Channel

Amazon's aggressive focus on expanding and enhancing its suite of advertising options over the last several years has helped solidify the company's position as a full-funnel advertising player.

When asked about their goals for advertising on Amazon, 68% of brands said they want to drive brand awareness, 65% said acquire new customers, and 60% said drive sales, revealing how Amazon and the various ad types it offers cover a range of strategies from the top to the bottom of the funnel.



Brands' Goals for Advertising on Amazon



**Respondents could select all that apply.*

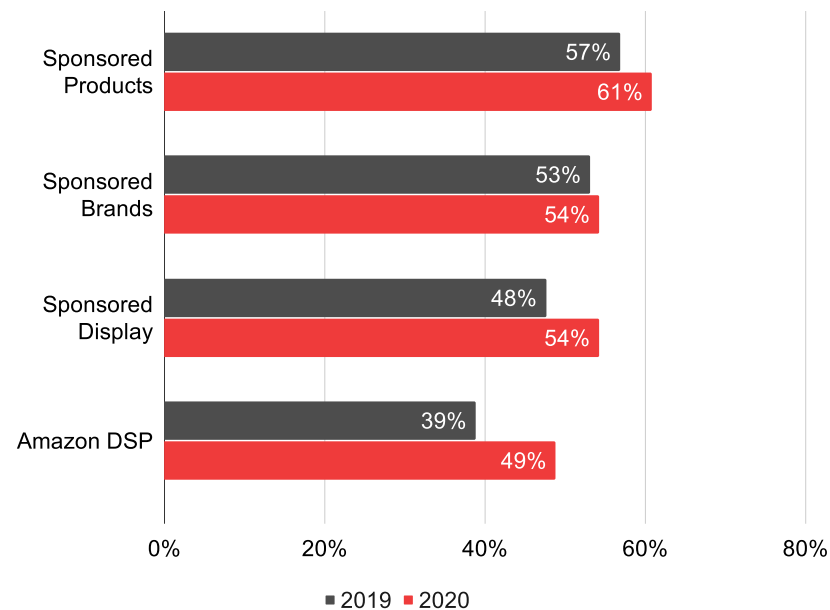
Amazon's advancements in Sponsored ads' targeting capabilities, new creative features such as Sponsored Brands video, and the introduction of both the DSP Audience Builder and Amazon Attribution in 2020 have opened new doors for brands to elevate their advertising strategy and broaden their reach in personalized and innovative ways.

More Brands Are Incorporating Amazon DSP Into Their Advertising Mix

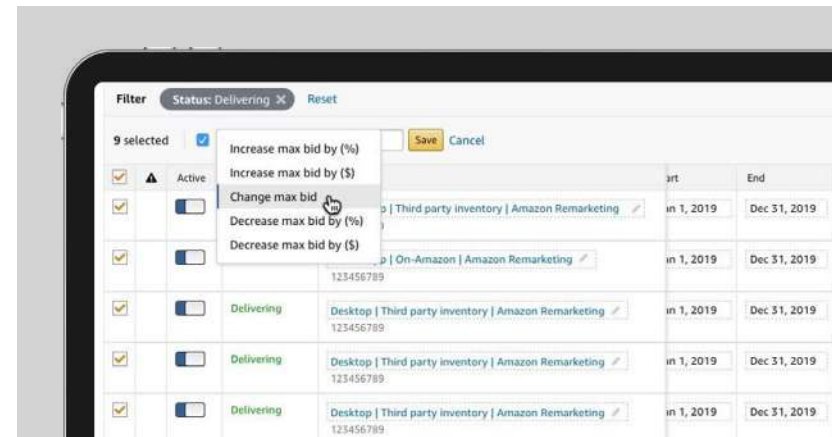
As Amazon expands its suite of ad offerings, brands are exploring new ad types to reach shoppers throughout the funnel and pinpoint which formats work best for their unique business objectives.

The majority (61%) of brands advertising on Amazon leverage Sponsored Products ads, similar to last year (57%), followed by 54% who utilize Sponsored Brands and Sponsored Display, compared with 53% and 48%, respectively, last year.

Amount of Brands Currently Using Amazon's Ad Types



*Respondents could select all that apply.



Interestingly, 26% more brands are leveraging Amazon DSP compared with last year.

The platform, which allows businesses to programmatically buy display and video ads at scale, is emerging as a powerful tool for upper- and lower-funnel campaigns to reach shoppers on and off Amazon.

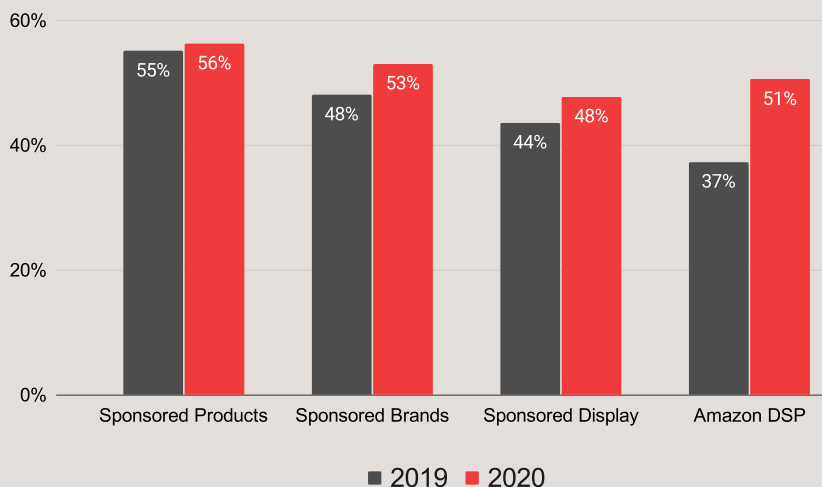
For instance, the DSP Audience Builder — a self-service for creating custom and competitor audiences based on shoppers' past interactions with other brands, product searches, and similar product listings — enables brands to retarget audiences that are likely to convert as well as target competitors who are stealing their demand.

The rise in the amount of brands' leveraging Amazon DSP may also indicate that more companies are partnering with Amazon Advertising technology and service providers, as they see the growing need for niche expertise and a comprehensive understanding of Amazon's complexity and depth of data.

Brands See the Critical Role of Amazon DSP, but Sponsored Products Remains No. 1

In terms of return on ad spend (RoAS), 56% of brands said Sponsored Products generate the greatest returns, followed by Sponsored Brands (53%), Amazon DSP (51%), and Sponsored Display (48%).

Amazon Ad Solutions That Drive the Greatest RoAS

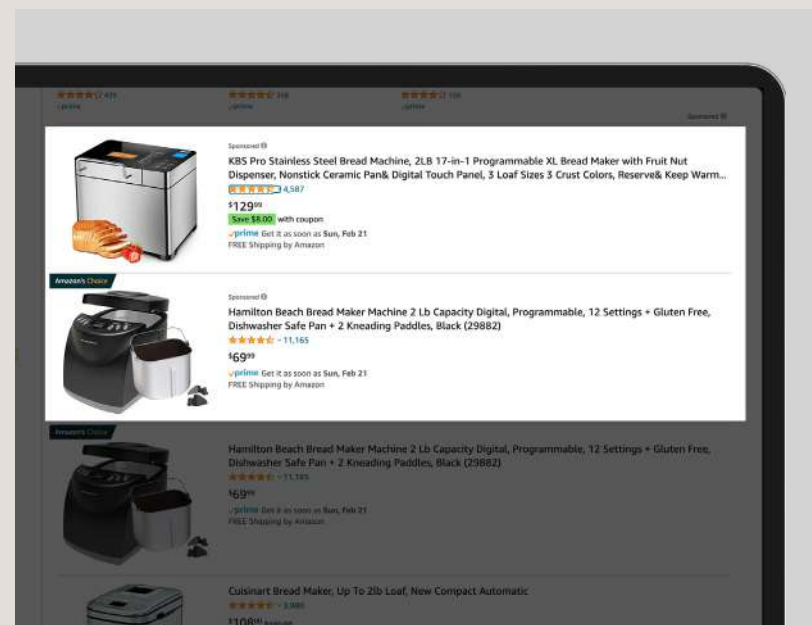


*Respondents could select all that apply.

Sponsored Products ads are a core element of Amazon's advertising offering, as well as a key driver of discoverability and growth on the platform. Displayed to shoppers in search results and on product detail pages on desktop and mobile, the pay-per-click (PPC) ads serve as a valuable tool for driving exposure and conversions.

However, more brands are seeing the value associated with Amazon DSP. As a last-click model, Amazon attributes a sale to the ad on which a shopper last clicked. While the DSP could drive a shopper to Amazon or your product, the shopper may click on a Sponsored ad that ends up being attributed to the conversion.

Although Amazon DSP receives less click attribution, brands are increasingly recognizing its pivotal role in the customer journey.



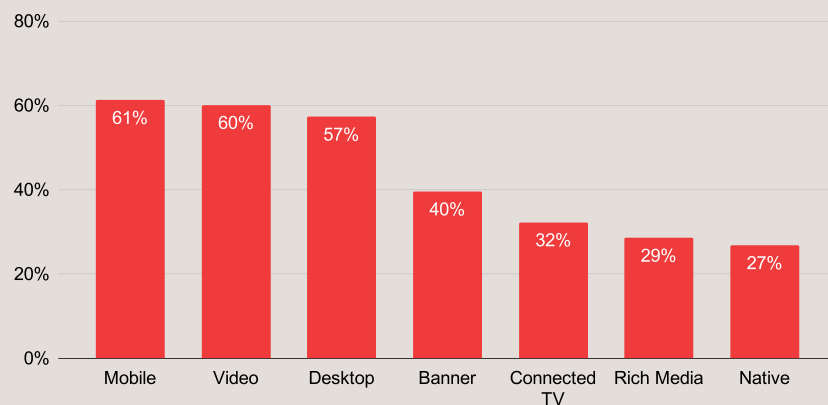
Sponsored Products Ad

Mobile Ads Drive the Greatest ROI

When asked which digital ad formats drive the greatest ROI, 63% of brands stated mobile ads, closely followed by desktop (60%) and video (58%).

Mobile commerce, or m-commerce, has seen massive growth over the course of the Covid-19 pandemic, as consumers are spending more time on their mobile devices. In 2020, m-commerce reached \$284 billion, or 45% of the total U.S. e-commerce market — up from 25% in 2019.¹

Where Brands Plan to Increase Digital Ad Spend in 2021



¹Business Insider, 2020

²Marketing Dive, 2021



Mobile ads drive the greatest ROI for a majority (63%) of brands, followed by:



60%
Desktop



58%
Video



39%
Banner



24%
Connected TV



22%
Native



21%
Rich media

**Respondents could select all that apply.*

Smartphones and the expansion of mobile pay options, such as Amazon Pay and Google Pay, are leading drivers of growth in the space, and consumers are increasingly conducting transactions via mobile devices. Shopper spending was up 20% in 2020 and is projected to top \$290 billion in 2021.²

As such, marketers have upped their investments in the digital ad format, and mobile ad spend in 2020 grew 26% year over year, to \$240 billion.² This trend is expected to continue in the year ahead, as 61% of brands said they plan to invest more in mobile ad formats in 2021, followed by video (60%), desktop (57%), and banner ads (40%).

51% of Brands See at Least a 7x Return on Amazon Advertising Initiatives

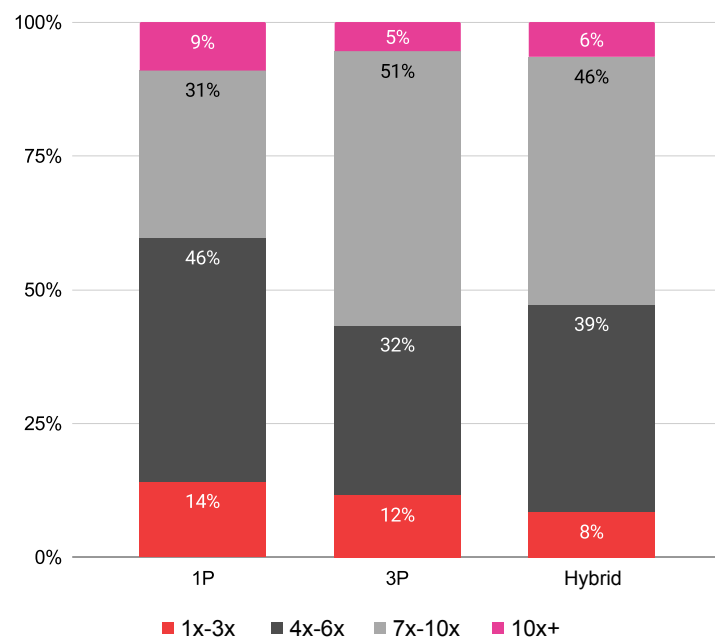
Brands' increased investment in Amazon Advertising is backed by the considerable returns it provides.

Over half (51%) of brands advertising on Amazon experience a return of 7x or more, up from 47% last year, while 39% of brands see between a 4x–6x return.

When examining Amazon Advertising returns by brand type, 51% of 3P brands and 46% of hybrid brands said they see a 7x–10x return, compared to 31% of 1P brands who reported returns within the same threshold.

Interestingly, brands that operate solely under a 1P model are more likely to see lower returns, with 14% experiencing a 1x–3x return on Amazon Advertising, compared with 12% and 8% of 3P and hybrid brands, respectively.

Average Return Brands See on Amazon Advertising



As a leading destination for consumers' search and purchase behavior, Amazon has an inherent advantage over other advertising platforms in that it is easier for brands to track the number of sales their ad spend converted and make a clear connection to ROI.

When asked which advertising metrics matter most to their business, 52% of brands stated RoAS and click-through rate (CTR), followed by advertising cost of sale (ACoS), total advertising cost of sale (TACoS), and cost per click (CPC).

Brands Are Becoming More Strategic in When and What They Advertise

Increased competition on Amazon's marketplace is driving brands to become more strategic and selective in their advertising initiatives.

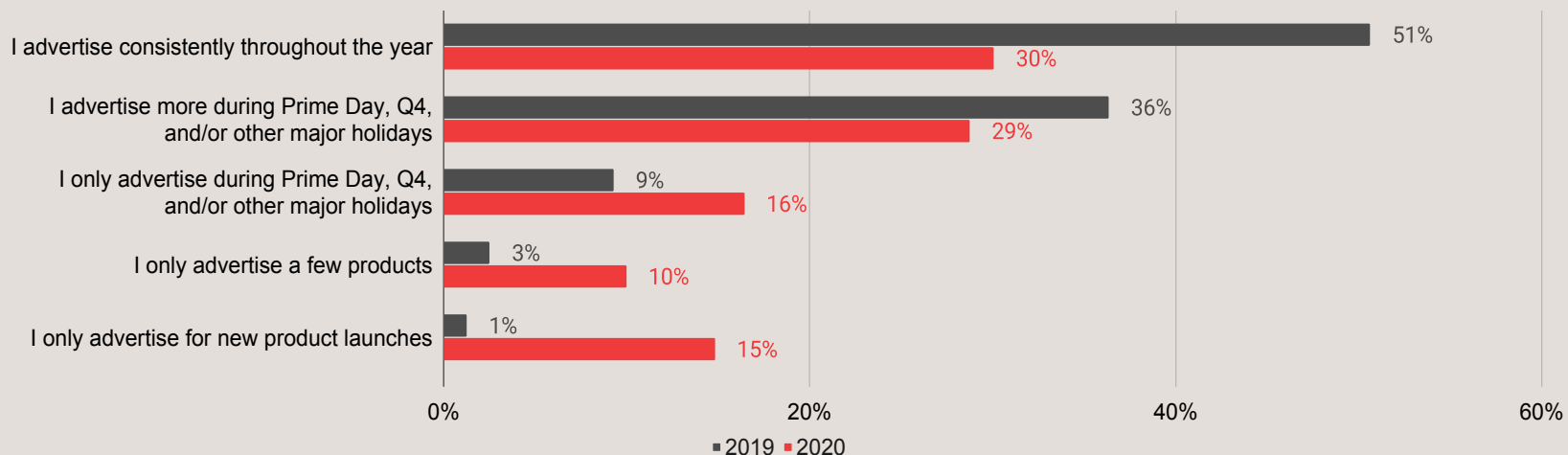
Nearly one-third (30%) of brands on Amazon advertise consistently throughout the year, down significantly from 51% who did so last year.

Over one-quarter (29%) of brands said they advertise more during Prime Day and the Q4 holiday season — down from 36% last year — and, interestingly, there are more brands (16%) who now advertise exclusively during Prime Day and the Q4 holiday season compared to last year (9%).

Additionally, brands are becoming more selective in not only when they advertise but also in which products they promote — 10% said they only advertise a few products and 15% said they advertise exclusively for new product launches, a 298% and 1,082% increase from last year, respectively.

Indeed, as a growing number of brands adopt an Amazon Advertising strategy, as well as invest more heavily in advertising, they must be creative and clever in how they approach their campaigns and initiatives to limit wasted ad spend and ensure profitability.

Frequency of Brands' Advertising Initiatives



Strategic Advertising and Competitive Pricing Work in Unison

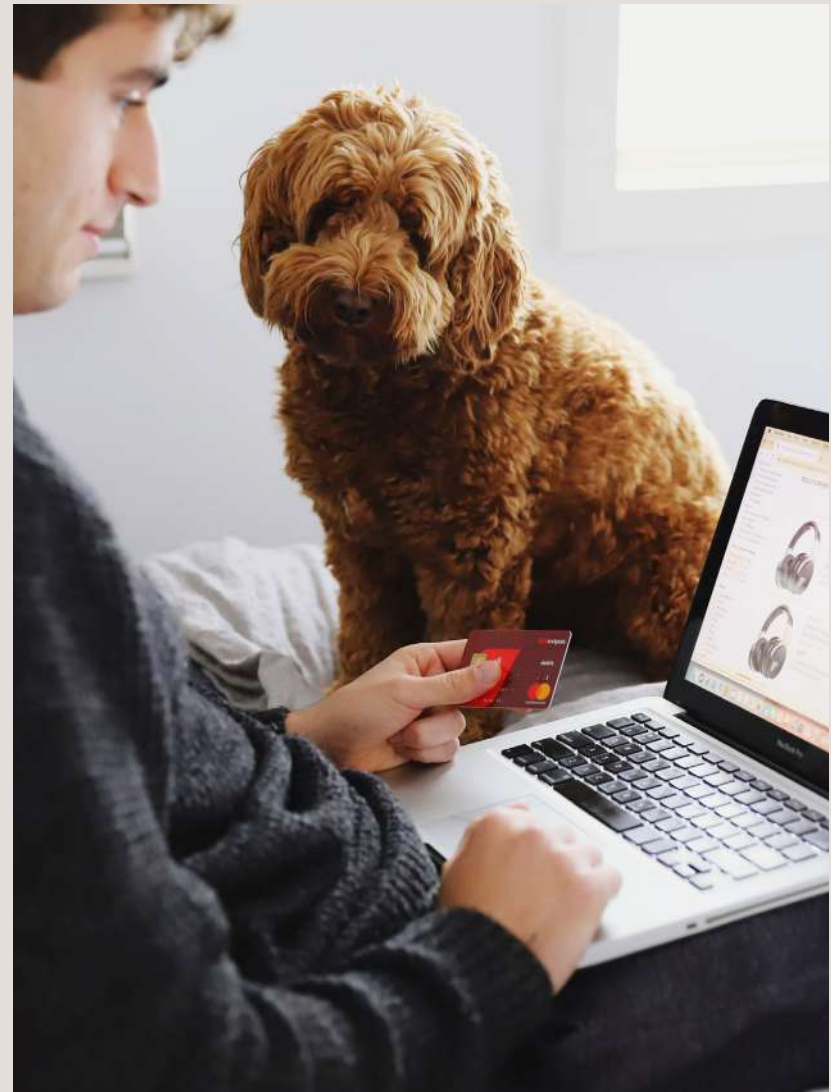
Promotional initiatives and competitive pricing may also be contributing to brands' increasingly selective approach to advertising, as evidenced by the amount of brands that cited competitive pricing as their most effective tactic for driving sales and profits.

While 31% of brands said advertising is their most effective strategy for reaching new customers, 39% said competitive pricing is most effective for driving sales and profits as well as for building customer loyalty.

39%

of brands say competitive pricing is the most effective strategy for driving sales and profits.

In 2020, with Prime Day immediately followed by the holiday shopping season, Q4 was a particularly expensive period for brands to generate sales and returns, given the spike in advertising competition and CPCs alongside the use of competitive pricing and holiday promotions.

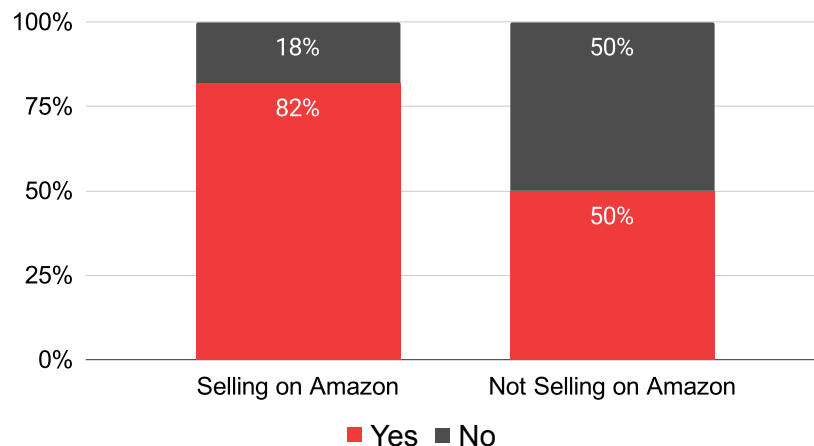


Brands Sustain Their Advertising Presence on Walmart

Walmart has been heavily investing in its advertising arm over the last year. After introducing its ad platform and API in January of 2020, the company has recently rebranded its ad business to Walmart Connect — formerly Walmart Media Group — with a mission to become one of the top 10 U.S. advertising platforms within the next five years.

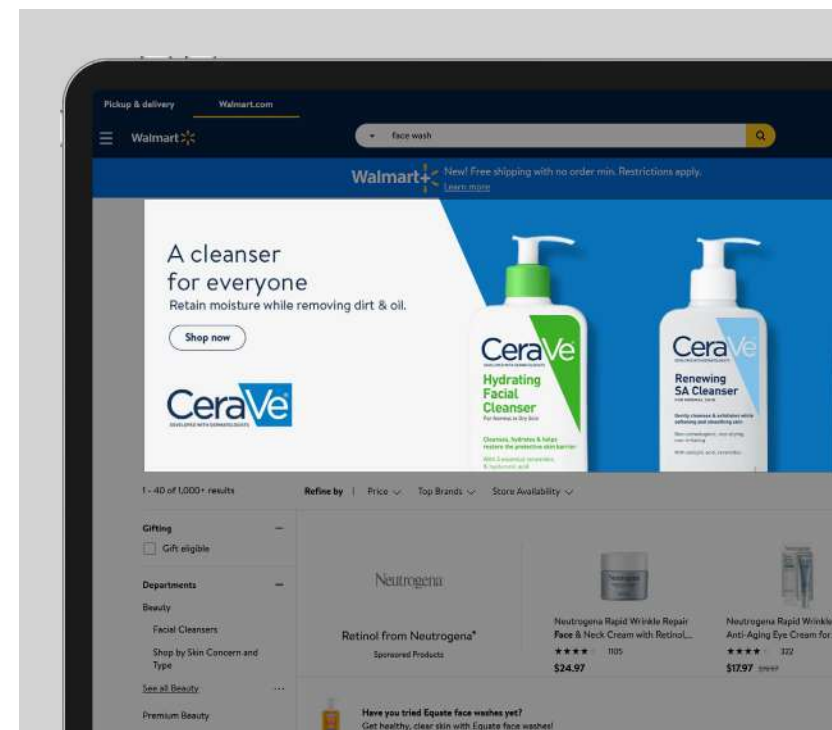
The refresh and expansion of its ad business touts more offerings such as display media and search campaigns across Walmart's native digital channels, enhanced in-store experiences including ad placements on checkout screens, and off-Walmart ad opportunities via the creation of its own demand-side platform.

Brands Currently Advertising on Walmart.com



While nearly three-quarters (71%) of brands are currently advertising on Walmart, the platform has not seen increased adoption from last year (70%), despite the rollout of new features and enhancements.

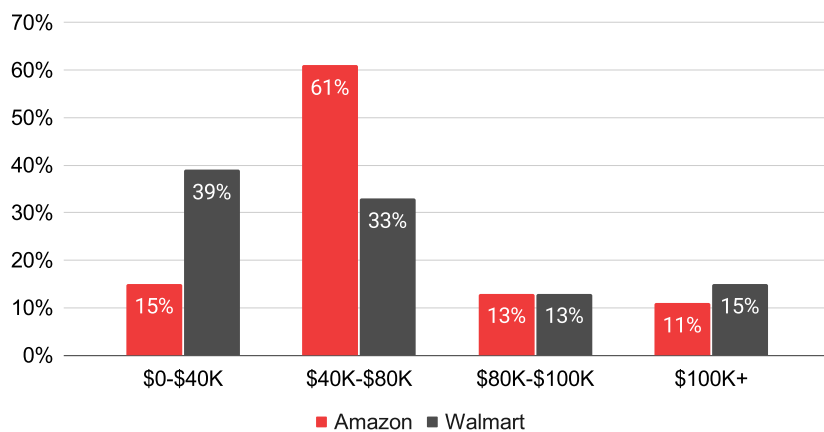
Interestingly, of the brands that are selling on Amazon, 82% are advertising on Walmart compared with 50% of brands who are not selling on Amazon.



Walmart Poised to Capture More of Brands' Ad Dollars in 2021

Less than half (48%) of brands allocate at least \$60,000 in monthly ad spend to Walmart, compared with 60% who do so on Amazon. A majority (39%) of brands allocate less than \$40,000 monthly to Walmart advertising.

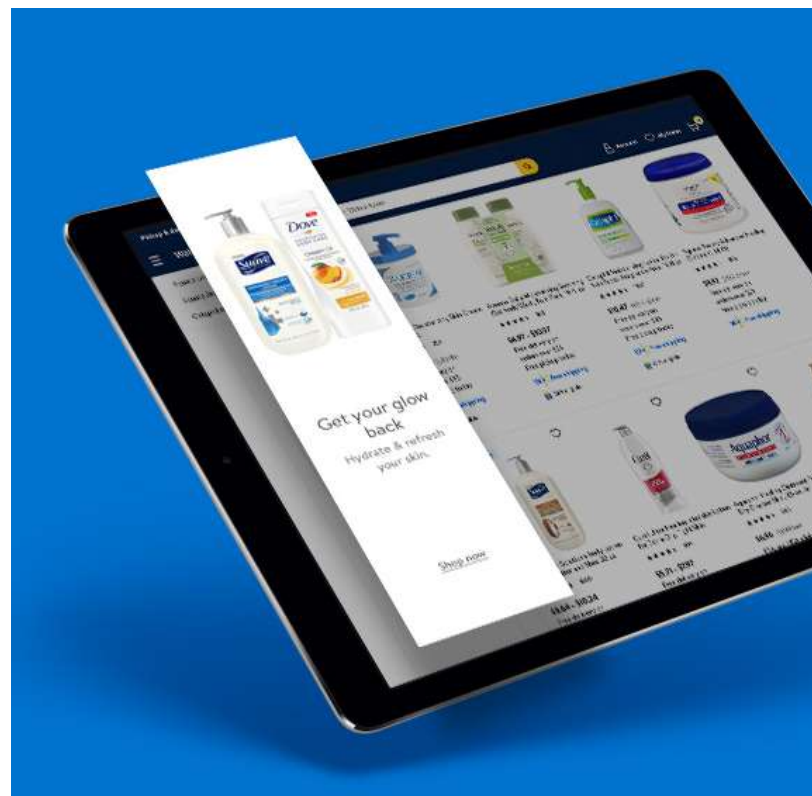
Brands' Monthly Ad Spend on Amazon vs. Walmart



This could be attributed to less competition experienced on Walmart's marketplace, and aggressive advertising is not yet a necessity for most brands on the platform. It also makes clear the level of expansion and enhancements that are still needed on Walmart's ad platform to attract more of brands' ad dollars.

In 2020, Walmart accounted for under 5% of e-commerce ad spending. However, driven by the launch of Walmart Connect, the company is projected to reach 7% market share by 2022 as it becomes a more prominent advertising player.¹

In fact, 87% of brands said they plan to increase their ad spend on Walmart in 2021, with 68% stating plans to increase their spend by up to 50%.



¹Marketing Dive, 2020

Ad Spend Shifts to Amazon From Google and Social

Amazon has long been intent on disrupting the advertising duopoly of Google and Facebook.

As the company fortifies its positioning as a full-funnel advertising player — ample in customer data — brands are increasingly shifting their ad dollars to Amazon from Google and paid social channels.

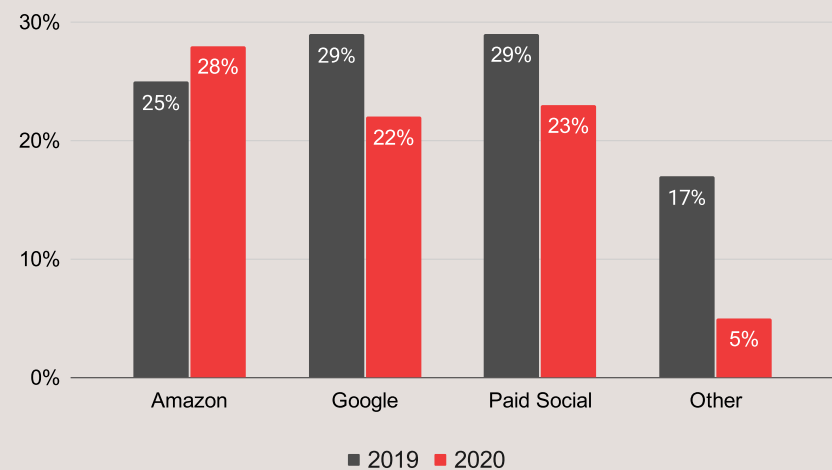


On average, brands allocate 28% of their overall digital media budgets to Amazon, compared with 22% to Google and 23% to paid social, marking a notable shift from brands' media spend allocations last year.

In addition, display accounts for an average of 21% of brands' media budgets.

We can expect the disparity of brands' ad dollars between Amazon, Google, and paid social channels like Facebook to increase in the coming years, as brands put more emphasis and priority on digital channels that are engaged in retail e-commerce, specifically larger and emerging e-marketplaces.

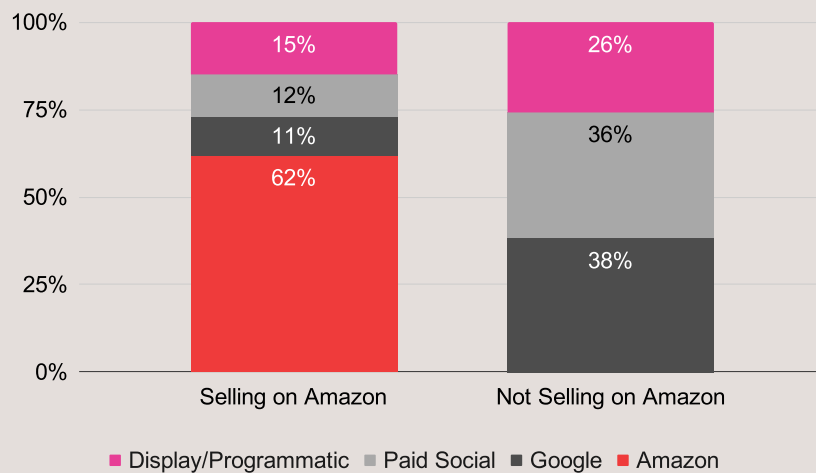
Allocation of Brands' Digital Media Spend Across Channels



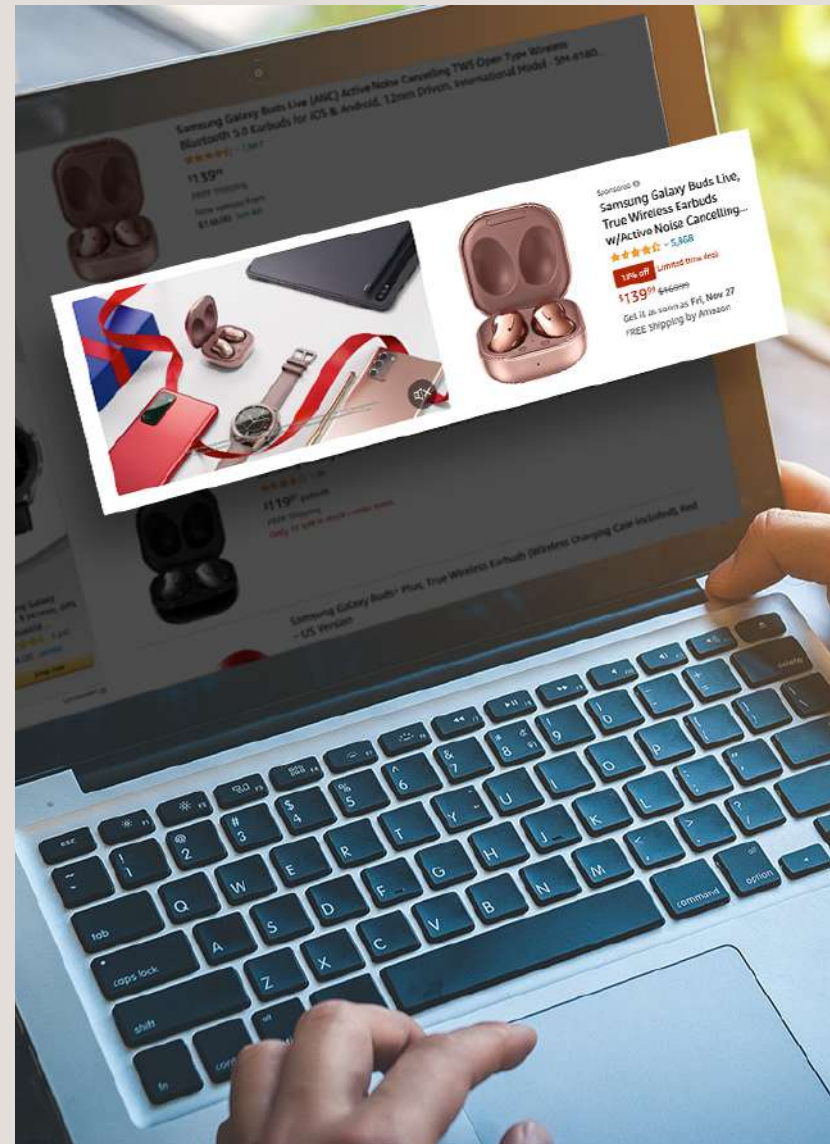
Brands on Amazon Say the Platform Drives the Highest Return on Media Spend

A majority (62%) of brands selling on Amazon said the platform generates their greatest return on media spend over display/programmatic (15%), paid social (12%), and Google (11%).

Brands' Highest Return on Media Spend by Channel



Of those not currently on Amazon, 38% said Google drives their highest return on media spend, followed by paid social (36%) and display/programmatic (26%). This reveals that, while Google is a valuable platform for B2B search ads, it pales in comparison to the value Amazon delivers to retail brands.



The Rise of E-Marketplaces

E-Marketplaces Are Brands' Greatest Source of Opportunity in 2021

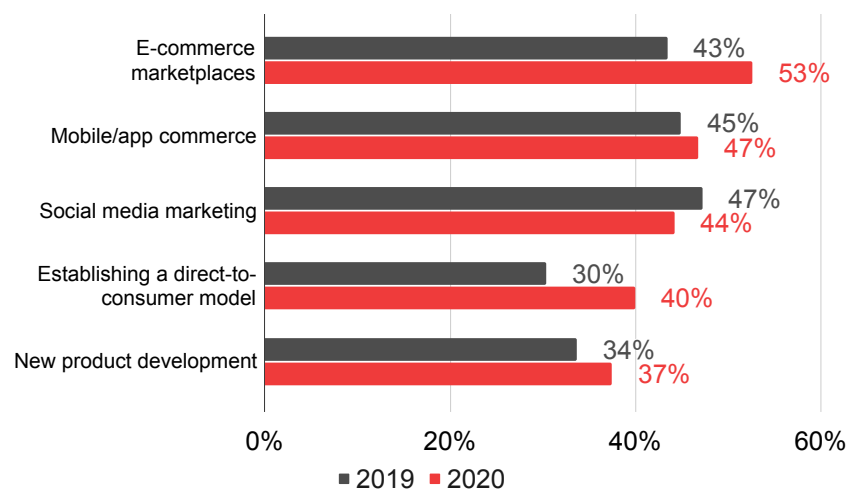
In today's retail climate, e-marketplaces are far outpacing any other channel within the e-commerce landscape. Nearly \$2 trillion was spent on the top 100 online marketplaces in 2019, and 2020 projections estimate e-marketplace gross merchandise sales will grow 40% year over year.¹

From a consumer's standpoint, e-marketplaces offer a more convenient shopping experience to discover, compare, and purchase products from an array from brands on a single platform. They provide shoppers with a variety of products compared to a single website and help them find the most competitive price for the best-quality product they are looking for.

The rapid growth of e-marketplaces is driving more large retailers, such as Kroger, to launch online marketplaces of their own — and we can expect to continue to see new e-marketplaces enter the space in the years ahead as retailers pivot to align with consumers' shift in behavior.

Indeed, 53% of brands believe e-marketplaces are their greatest source of opportunity, up from 43% last year, followed by mobile/app commerce (47%) and social media marketing (44%) — both of which outpaced e-marketplaces last year as brands' greatest sources of opportunity.

Brands' Greatest Source of Opportunity



¹DigitalCommerce360

This shift reveals how brands are increasingly aware of consumers' preference and reliance on e-marketplaces in their everyday lives, and they expect the channel to continue dominating the e-commerce space in the years ahead.

E-Marketplaces Are Key Channel to Drive Sales and Brand Awareness

Over half (57%) of brands on Amazon leverage e-marketplaces aside from Amazon to build brand awareness, up from 50% last year, followed by driving sales (52%) and product liquidation (43%).

Conversely, 62% of brands said they put their most popular products on Amazon. This indicates that brands rely more on Amazon for sales volume of their top-sellers while simultaneously leveraging other e-marketplaces to achieve different business objectives, like selling through surplus inventory or end-of-life products.



Brands' Top Strategies on E-Marketplaces Aside From Amazon



**Respondents could select all that apply.*

Brands Are Expanding Their E-Marketplace Presence

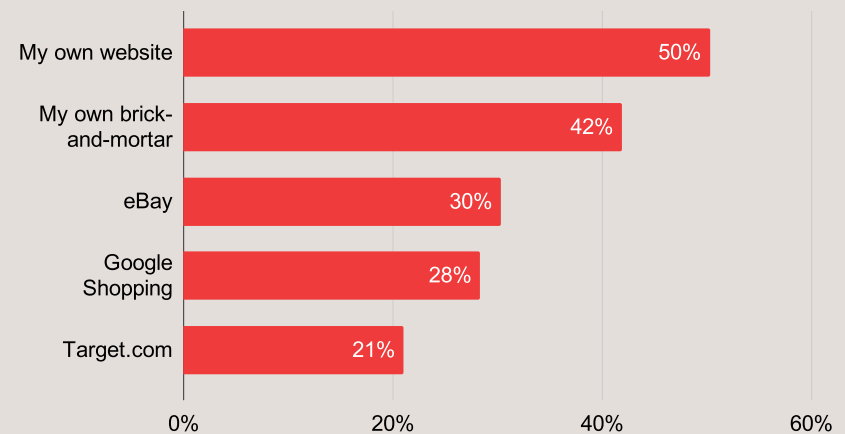
In 2020, Walmart outpaced eBay and moved into the No. 2 position of the top U.S. e-commerce retailers, with online sales reaching \$46.2 billion.¹ However, 40% fewer brands currently sell on the platform today than last year.

Indeed, 18% of brands surveyed are selling on Walmart's marketplace. In 2020, Walmart honed in on its marketplace expansion, partnering with Shopify and merging its grocery and shopping apps, among other initiatives. Yet, these steps seem to have attracted more third-party sellers than brands.

Walmart Marketplace has nearly 70,000 sellers, doubling in size from 2019.² As the company ramps up its advertising arm and fulfillment services, we can expect more brands to adopt a Walmart presence over the coming years.

Other top channels brands are currently selling on include their own website (50%), their own brick-and-mortar store (42%), and eBay (30%). Interestingly, other e-marketplaces including Google Shopping, Target.com, and emerging disruptors like Instacart and Kroger are earning a growing share of brands' e-commerce presence.

Other Channels Brands Are Currently Selling On



**Respondents could select all that apply.*

¹eMarketer, 2020

²Marketplace Pulse, 2020

Google Shopping and Kroger Are Top Considerations for Expansion

While Amazon is the focus, channel diversity is key for brand preservation.

Kroger — the largest grocery operator in the U.S. — is seeing early interest and adoption after introducing its new e-marketplace in the latter half of 2020. The company for the first time broke into the top 10 U.S. e-commerce retailers, with online sales surpassing \$11.2 billion.¹

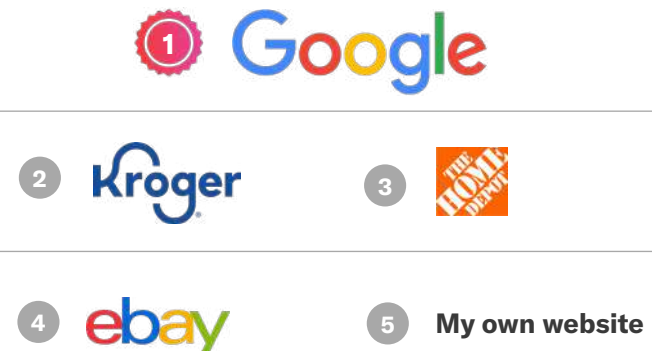
With the dramatic rise of grocery e-commerce over the last year, brands see the potential for establishing a presence on Kroger's marketplace. Nearly a quarter (21%) said they would consider expanding to Kroger, outpacing other grocery giants including Instacart (17%), Target (16%), and Walmart (13%).

Additionally, 27% of brands said they would consider expanding to Google Shopping. The platform has gone through several iterations over the years, and in 2020 the company ramped up incentives and reduced fees to lure more brands and sellers to its marketplace.

Along with commission-free selling, the Google Shopping program offered the following incentives:

- **Amazon product feeds:** Businesses can upload their product listing feeds from Amazon directly into Google's Merchant Center.
- **Third-party providers:** Merchants can choose their preferred service providers for payment processing and inventory and order management.
- **Direct customer support:** Shopper queries for order and shipping issues will go directly to the merchant first, so brands maintain control over the customer experience.
- **Customer returns:** Google can process returns if the merchant so chooses.

Top 5 Channels Brands Would Consider Selling On



¹eMarketer, 2020

Looking Ahead

Amazon's e-commerce dominance is greater than ever, and the future of retail has already begun to take shape.

The Covid-19 pandemic has spawned new innovations and opportunities for brands to drive meaningful engagements with customers and cultivate shopper habits and behaviors that were already underway. In fact, contrary to fears and assumptions, the recession of brick-and-mortar retail has not hindered the brand experience but has rather helped to enhance it.

From livestreaming events and social commerce to shoppable content and mobile payment options, consumers have greater digital conveniences and accessibility to participate with brands whenever and wherever they please. Even when in-person shopping resumes, this behavior will endure and evolve.

Look to China, for instance, where e-commerce continues to accelerate, even after the full reopening of its economy and physical stores. The country is on pace to generate over 52% of its retail sales from e-commerce in 2021, marking the first time in which a majority of retail sales for an entire country will transact online.¹

Live commerce and social commerce are among the major drivers of this growth, and consumer consumption of digital media is showing no signs of slowing down.

Is it unimaginable to see the same trajectory for the U.S. in the coming years? With Amazon's growth — and the heightened urgency for retailers and e-marketplaces to better compete — it is all but guaranteed.

Indeed, Amazon's relentless expansion and innovation will pave the way for stronger customer-brand relationships and overall brand growth, driven by digital media with a focus on Amazon Live events, social integration opportunities for personalized experiences, richer creative and shoppable video content, gamification, and more.

As Amazon Advertising becomes table stakes, the company will continue to evolve and enhance its ad types, targeting options, and full-funnel offerings, growing accessibility to brands of all sizes and niches.

The introduction of Amazon Marketing Cloud, in particular, will play a central role in shaping brands' broader online strategies, providing enhanced data and attribution insights and greater transparency and potential in understanding the end-to-end user journey across search, display, video, and audio channels.

Only brands who embrace the digital revolution of retail, invest in ongoing innovations and technology solutions, and leverage Amazon and e-marketplaces as an extension of their footprint and offerings will be well-positioned for long-term growth in the inevitable new normal.

¹eMarketer, 2021

Grow. Sell. Win.

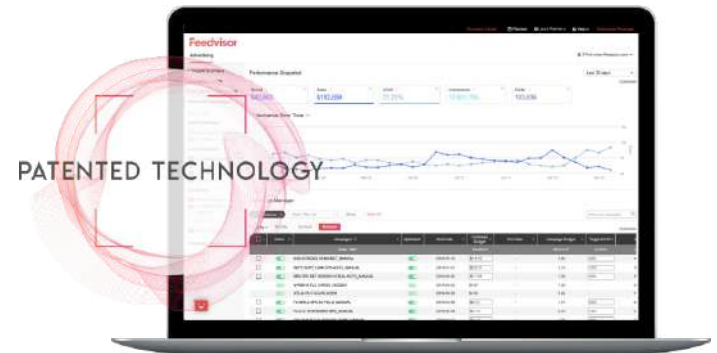
Drive 2021 Momentum With the Leading Technology
and Insights Your Business Needs to Win
on Amazon and E-Marketplaces



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