

Shopatron eBook

4 Ways Brands Approach Online Sales




Shopatron



Why eCommerce?

A look at the pros and cons of dealer locations, product-to-product links, and manufacturer branded online stores

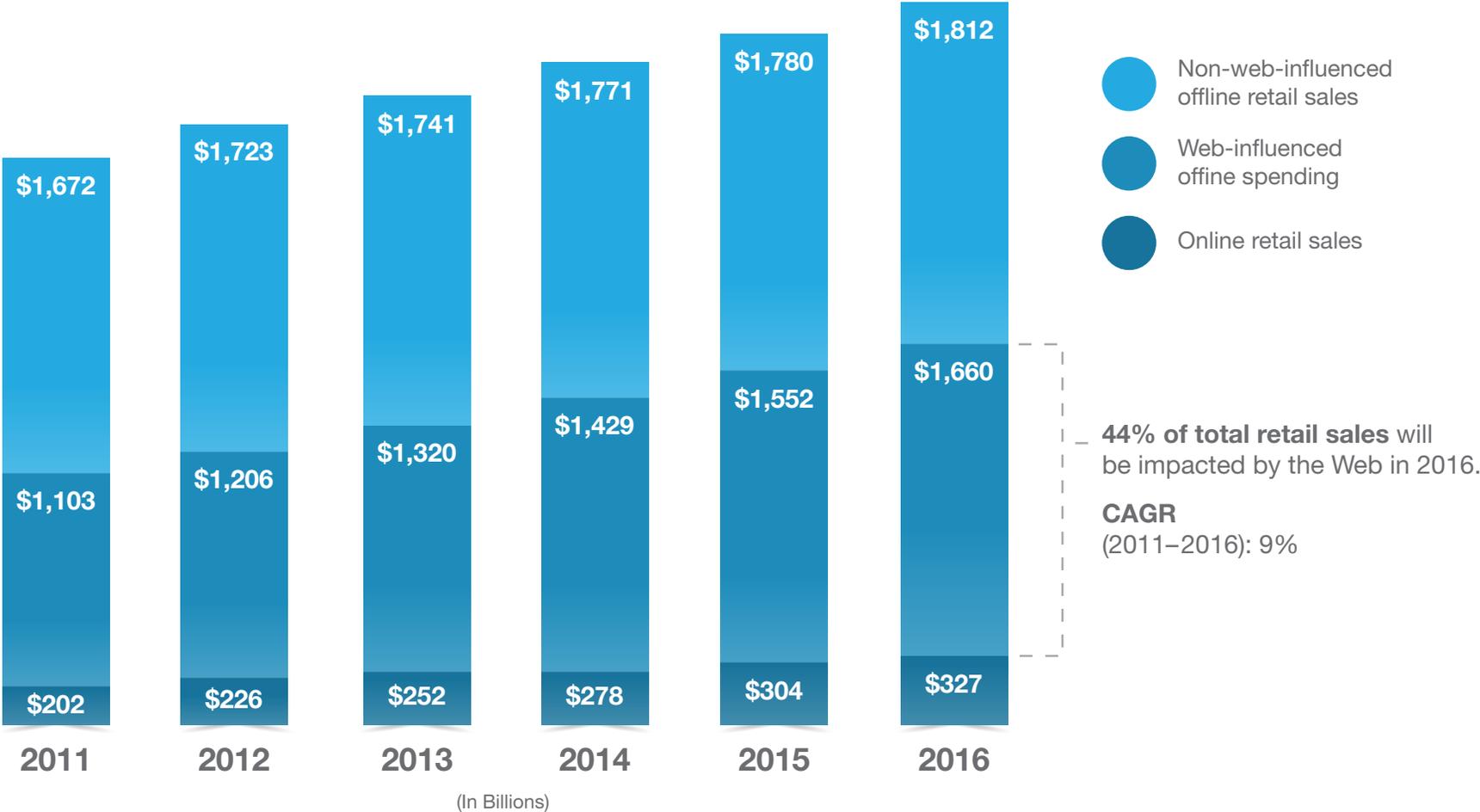
It is no longer an option for brands to sell online; it's a necessity. By 2017, eCommerce sales are expected to grow by nearly 70% to approximately half a trillion dollars, according to research by eMarketer. Today's shoppers now expect the brands they love will offer sophisticated, robust online stores.

Of course, this also poses serious challenges for many of today's branded manufacturers: How do I sell directly to consumers online without negatively affecting relationships with retailers who stock their products?

Many brands have attempted to address this problem, hoping to find a balance that allows them to leverage the sales growth potential of online sales while continuing to support their retailers. Others have flippantly charged into online sales and neglected the effect to their in-store sales channel.

This document will outline the four primary ways in which brands handle online sales, including the pros and cons of each. After reading this, you will not only have a better grasp of the potential rewards and risks associated with direct online sales, but you will learn how it really is possible to have the best of both worlds.

Forrester: US Cross-Channel Retail, 2011-2016



Source: Forrester Research Web-influenced Retail Sales Forecast, 2011-2016 (US)

Option 1: Basic Dealer Locator

The dealer locator was one of the first online tools utilized by brands. It functions as a rudimentary search engine, allowing customers to look up authorized dealers from the brand's website.

A basic dealer locator asks online shoppers to input their desired location (usually with a ZIP code), and then browse a list of stores that are supposed to stock products featured on the brand's marketing page. From there, it's up to the shopper to track down the product from a retailer that should have it in stock.

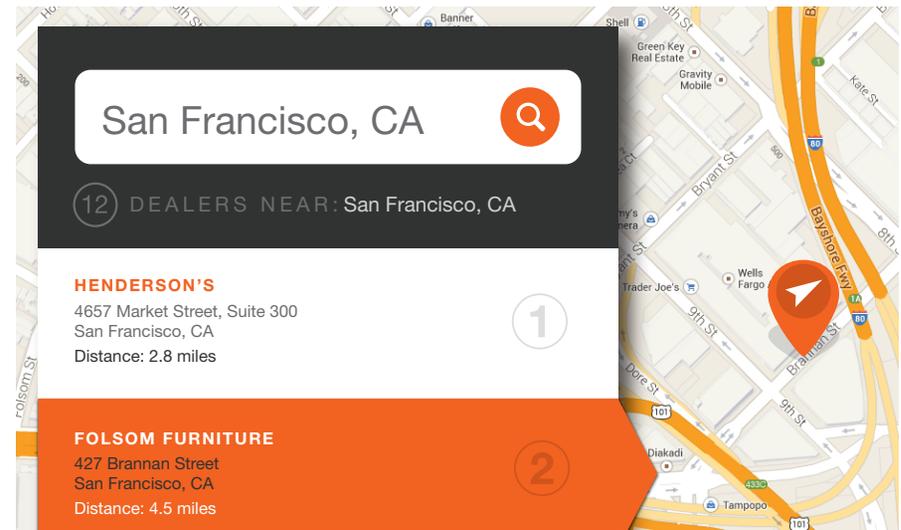
Of course, just because a given retailer *should* have a product in stock is no guarantee that it will, nor is there any guarantee that the retailer won't try to sell the shopper a competing product. Though dealer locators were the preferred method for many brands in the early days of eCommerce, they have not aged well.

Today's shoppers don't want to track down stocking retailers; they want an immediate, easy experience when shopping online. Shoppers expect that they will be able to research and make purchases all in one place. Dealer locators effectively turn an otherwise simple online shopping experience into an annoying errand for the customer.

Additionally, the brand gets no guarantee that the shopper won't end up purchasing a competing product once they walk in the store. Dealer locators are great at drawing in shoppers with a high intent to purchase, but not so great at preventing shoppers from being persuaded by a store associate to purchase something else instead.

Dealer locators are also a subpar option for retailers because they serve as free advertising for all competing stores within the customer's ZIP code, even for stores that might not actually have the customer's desired product in stock.

Ultimately, dealer locators frustrate shoppers, annoy retailers, and worst of all provide no guarantee of a sale to the brand. While dealer locators are generally better than nothing at all, they are an ineffective way sell online and, in some worst-case scenarios, can result in lost sales for the brand.



Why The Dealer Locator Strategy Fails:

- Customers can be frustrated when they're forced to chase down stocking dealers in their area.
- Retailers don't want brands to advertise all of the local locations where customers can find a given product.
- There is no guarantee that an interested online customer won't purchase a competing product once they're in the store.
- Customers can be forced to click off the brand's site, lowering conversion rates.

Option 2: Product-to-Product Links

Product-to-product (P2P) links resolve some of the issues inherent to dealer locators. A P2P link connects a shopper directly from the brand's product page to the product page of an online retailer that carries the product. Unlike dealer locators, P2P links don't require the shopper to perform a second search. And since P2P links provide a direct link for any given product, shoppers who use P2P links are also more likely to complete their purchase.

Online retailers love P2P links because they drive "free," high-quality traffic to them. And the higher conversion rate of P2P links results in increased sales for the brand's retail partners, who may be encouraged to purchase more of the brand's product. Brand-loyal shoppers are also typically more satisfied with the convenience of purchasing online via a P2P link as opposed to the hassle of a dealer locator.

In general, P2P links are a reasonable option; however, many brands find they still underperform at converting website traffic directly into sales. Though P2P links are more streamlined, they require a customer to click around in order to make a purchase, which can be confusing and give customers a chance to second-guess their purchase. The more pages users have to click through, the lower your conversion rates will be.

Furthermore, P2P links require a brand's retailers to have eCommerce capabilities themselves. This can limit the brand's ability to offer a full, or even moderate, product line, as many stocking retailers will not be able to reach online consumers via the brand's P2P links. Instead, only a select few retailers will be able to offer the brand's products through their websites.

In the end, P2P links may capture a few online sales, but they will generally drive down conversions, alienate retailers, and perhaps direct customers to competing products.



Why P2P Links Fail:

- ✔ They can be confusing to customers.
- ✔ It is difficult to run outbound consumer promotions because doing so requires cooperation from every participating retailer.
- ✔ P2P links alienate retailers that do not sell online.
- ✔ P2P links can still deliver customers to a page where they'll be presented with competing products.

Option 3: Manufacturer Branded Online Store

Branded online stores are simultaneously the simplest way to sell online as well as the most damaging to a brand's relationships with retailers.

The benefit of a branded online store is that it gives consumers what they want: a one-stop shop where they can research and purchase products. Shoppers are never redirected to a new environment where they might decide to cancel their purchase or buy from a competitor. And because the brand is selling direct to the consumer, it can significantly boost margins on individual sales.

However, the net result is still detrimental to overall sales.

In exchange for higher margins on individual sales, brands that sell direct sacrifice the high-volume sales they enjoy from a network of stocking retailers. In the same way that brands don't want their retailers to sell competing products to engaged customers, retailers don't want to be undercut by brands sell direct to shoppers online. In a very real way, the branded online store puts brands in competition with their retailers.

Often, retailers will simply cut out brands who compete with them. In the 2013 Retailer eCommerce Study, *71% of respondents said they would stop or reduce spending with brands that competed by selling direct to consumers.*

Direct sales also require brands to establish capabilities for warehousing and shipping individual orders. In addition to the extra cost and manpower required to ship small online orders, brands who sell direct must also find a way to do so as quickly as possible. Today's shoppers now have a myriad of sources that offer next-day, and even same-day delivery. Of course, in order to offer such rapid delivery times, companies such as Amazon and eBay have built out vast fulfillment networks in order to be closer to their customers.

The end result for brands that sell direct is a slew of angry retailers, relatively few high-margin online sales, and a new list of headaches associated with shipping individual online orders direct to consumers.



Why The Manufacturer Branded Store Fails:

- ✔ Selling direct puts brands in competition with their retailers, forcing brands to compensate by either:
 - Setting their prices higher than street price
 - Limiting promotions, which lowers online sale volume
 - Offering a limited selection of products that avoid conflicts with retailers.
- ✔ Most brands are ill-equipped to pick, pack, and ship individual online orders. Modern consumer expectations have raised the bar, so that brands must be able to deliver products in just a few days in order to compete with other online sellers.

Option 4: Manufacturer Branded Online Store With Retailer Fulfillment

A manufacturer branded online store is the right solution for customers, but it lacks a crucial component: local fulfillment from retailers.

In order to combine the benefits of direct online sales with well-established retailer relationships, brands can sell through their website and pass the final orders to stocking retailers for delivery to customers. Retailers can fulfill orders in a number of ways, by either shipping products directly to customers, or making products available for in-store pickup.

This model is gaining wide popularity among some of the largest retailers in the business. Macy's, for example, has expanded its ship-from-store program to hundreds of Macy's stores, which are being used as fulfillment centers for online orders.

When retailers act as fulfillment partners, brands are free to run promotions without restriction, since retailers also benefit in the sales and profits. Additionally, the brand is able to capture consumer sales data, which can be used for subsequent marketing and promotion. This sales model—the Shopatron model—allows a manufacturer to sell any product online that is currently stocked by their retailers, and align their own pricing with street pricing.

It's no wonder that more eCommerce businesses are shifting to the Shopatron model. Consider that in the 2013 Retailer eCommerce Study, 57% of retailers said they spend more on brands that send them online orders. Additionally, 60% of retailers report that they would spend more on brands that send them orders via in-store pickup.



Why The Manufacturer Branded Online Store With Retailer Fulfillment Works:

- ✔ It provides shoppers with an easy, direct way to buy from their favorite brands.
It ensures the fastest possible delivery times to customers.
- ✔ It encourages retailers to increase stock of the brand's products in order to fulfill more online orders.
- ✔ It enables brands to offer advanced fulfillment options like in-store pickup.

Shopatron: How It Works

When a shopper purchases from the brand's website, the order passes through a system, the Shopatron Order Exchange, which allows authorized retail partners to specify which orders they want to fulfill on the brand's behalf.

Orders are automatically assigned to the closest stocking retailer, which then packs and ships the order to the customer using in-store inventory. Retailers receive guaranteed payments for all fulfilled orders, and the customer receives the order quickly from a nearby fulfillment location.

If the shopper selects in-store pickup as the preferred fulfillment method, the order again goes through an order exchange and is fulfilled using local in-store inventory. But rather than shipping the product, the shopper is notified when their order is ready, and they simply drive to the store to pick it up, free of any shipping charges.

eCommerce. Transformed.

Retailers receive guaranteed payments for all fulfilled orders, and the customer receives the order quickly from a nearby fulfillment location.

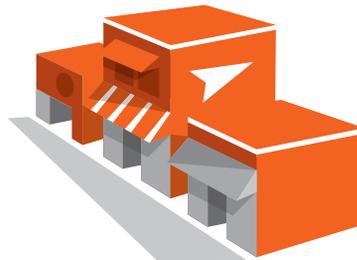


① Order Placed



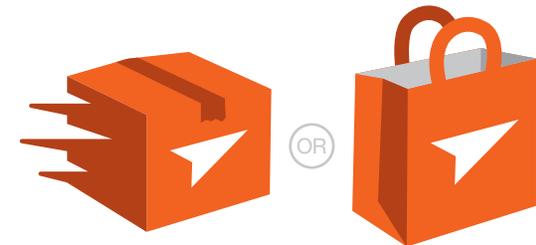
Customer places an order on the brand's website

② Fulfillment Partner



Closest stocking retailer is assigned for fulfillment

③ Fulfillment Method Selected



Ship to Customer

In-Store Pickup

Shopatron: Advantages of Retail Integration

Online Sales Made Simple

Leveraging retail distribution for online purchases couldn't be simpler. The stock is available and your retailers know best how to serve consumers.

Easy Setup

Rather than completely overhauling your current distribution processes, retail-integrated eCommerce utilizes the existing distribution channels—only retail integration does it better and has more growth potential.

Control Customer Experience

By selling directly on the brand website, a great brand can control the customer experience throughout the buying process. Additionally, you are connecting customers to a trusted, authorized retailer, so you can rest assured their experience will be a positive one.

Support Your Retailers

Retail integration not only eliminates channel conflict, it turns it into channel support. The brand collects the orders and passes closed sales directly to their retailer base for fulfillment. Instead of allowing online sales to detract from local dealers, it transforms the Internet into a two-way street that helps retailers grow their business.

In-Store Pickup

With retail integration, brands can ship to customer homes or offer in-store pickup, which, in many cases, is more convenient and inexpensive for customers. Shoppers can order online and be alerted when their items are ready for pickup at the closest authorized dealer. The shopper does not have to search local stores to find the product they already know they want. Shipping is free. Consumers love this option, which leads to higher online sales. For retailers, in-store pickup brings additional foot traffic, creating add-on sale opportunities and greater inventory turnover.

Provide Hands-On Service

Authorized retailers can provide assembly, customization or technical expertise with authorized, knowledgeable experts. This provides a guaranteed level of quality that protects the brand.

Build Brand loyalty

Shoppers feel most comfortable ordering directly from the brand and picking up their order at a local authorized dealer. They can ask questions and get advice on everything from installation to recommended accessories. This type of shopping experience not only improves relationships with customers but also solidifies brand perception for both the manufacturer and the retailer.

Strengthen Brand Recognition

A brand website provides an authorized online outlet for your products. Without this resource, customers may research and buy from unauthorized sellers and third parties like eBay. And after the customer purchases on your site, you will have their contact information to keep in touch with them through email marketing and other channels. Retail integration not only supports the dealer but brings the customer closer to the brand.

Leverage Marketing Opportunities

Working closely with your dealers provides increased marketing and promotional opportunities for your brand. You can offer discounts to end consumers and pass discounts to your retailers in a coordinated way to protect overall margins and brand pricing, while promoting your brand and increasing sales.

Comparison: Manufacturer Options for Selling Online

<i>Traffic-to-Sales Conversion Options</i>	Basic Dealer Locator	Product-to-Product Links	Manufacturer Branded Online Store	Manufacturer Branded Online Store + Retailer-Integrated Fulfillment	
<i>Promotional Limitations</i>	Extremely Limited	Limited By Execution Complexity	Limited by Conflict With Retailers	Virtually Unlimited	Increased Selection
<i>Conversion Loss Factors</i>	Too Many Steps To Buy	Choosing a Retailer	Selection	Selection	Increased Selection
		Buy a Competitor's Product	Pricing	Pricing	Better Pricing
<i>Leverage Opportunities</i>		Leverage Links For Better POS		Retailers Stock More In-Store Pickup Increases Conversion 10-15%	
<i>Measurable Success</i>	\$	\$\$	\$\$\$	\$\$\$\$	



Shopatron is the world's leading provider of cloud-based, eCommerce fulfillment solutions.

Shopatron is the world's leading provider of cloud-based, eCommerce order management solutions. Our patented Shopatron Order Exchange allows manufacturers and multi-channel retailers to seamlessly leverage the available inventory of every retail storefront and distribution center when fulfilling online orders. Unlike legacy order management software or custom-built solutions, Shopatron makes it easy and affordable to deploy advanced capabilities like in-store pickup, ship-from-store, inventory lookup and vendor drop-ship. With Shopatron, retail channels join forces to increase sales, turn inventory, and deliver a superior purchase experience to online shoppers.

For more information about Shopatron, visit us online at shopatron.com

North American Office

Shopatron Inc.

825 Buckley Road, Suite 200
San Luis Obispo, CA 93401
United States

Telephone 866-625-5050

Outside US +1 571-730-5800

Fax 805-547-8369

European Office

Shopatron UK Ltd.

Newport House
19-21 Newport Street
Old Town, Swindon SN1 3DX
United Kingdom

Telephone +44 (0) 1793 716099

Fax +44 (0) 1793 474652