



The Future of Online Category Management

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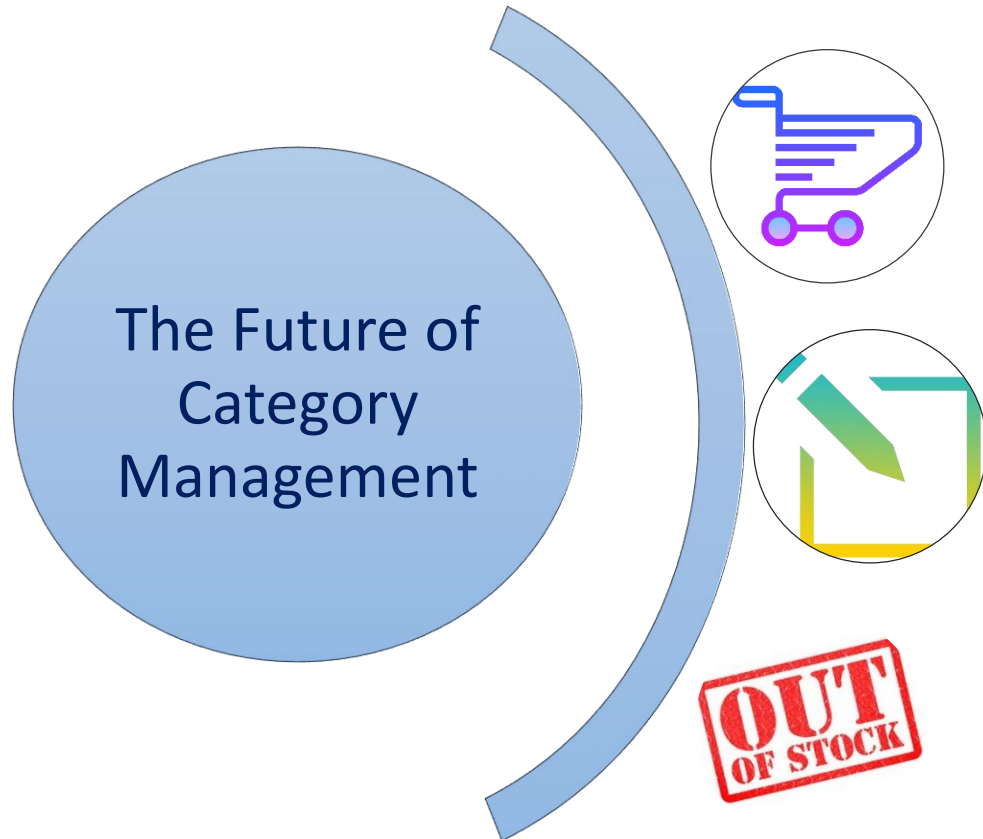


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ECR Community Webinar Series 2017

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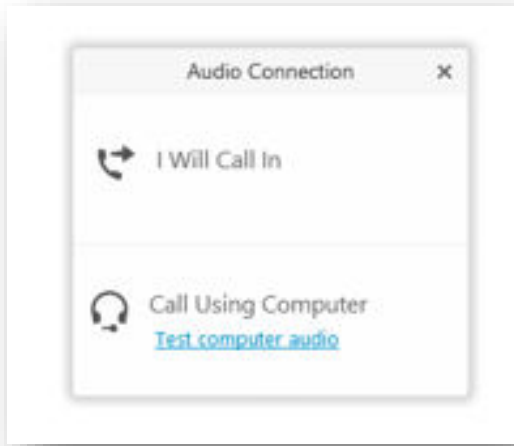
1. Tomorrow's Category Management Today:
How do brands achieve their goals in a world without planograms and shelves?

2. Content, Consideration & Online Customers:
How to drive conversation in the online channel?

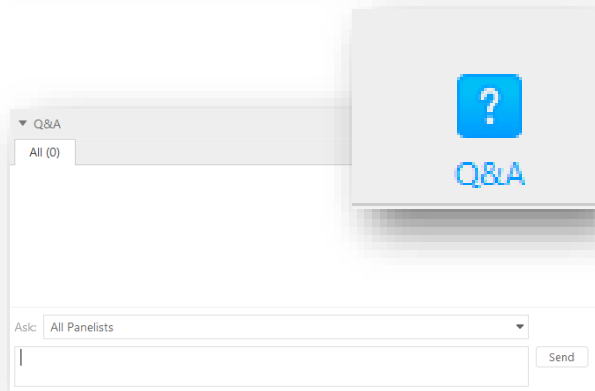
3. Availability in the Online Channel:
The influence of online out of stocks on consumer behaviour and sales - NOV 15



Housekeeping



You can listen to the audio via telephone or through your computer speakers. Select “I Will Call In” to listen to the audio via your telephone. Select “Call Using Computer” to listen to the audio via your computer speakers



All attendees are on mute. To ask a question, click the Q&A icon on the top of your screen, then enter your question on the Q&A box



Agenda



Daniel Corsten,
Professor at IE
Business School

*Global Research study:
Online availability to
purchase, in non-food
categories across six
markets.*



Tom Golden,
VP Marketing,
Clavis Insight

*Monitoring online
availability from
local to national
level.*



NOW YOU SEE IT, NOW YOU DON'T:

PHASE 1 OF A GLOBAL
RESEARCH STUDY

ONLINE AVAILABILITY
(TO PURCHASE)
IN NON FOOD CATEGORIES

www.availabilitylab.com

AGENDA

- Motivation, overview, and method of the study
- Define and describe online “Availability to Purchase “
- Discuss the extent of online non-availability and its causes
- Show how online shoppers experience non-ATP
- Explain Shoppers’ Switching Behaviors
- Examine the effects of switching on retailers and brands
- Creating an Analytics Program to Monitor Online Channel Availability

WE KNEW



Foundational out-of-stock research established the extent of in-store OOS & how shoppers react.

Follow-up research revealed how to reduce OOS in store.

WE REALIZED



30% of shoppers regularly shop both online & in store

WE WONDERED...

How common are out-of-stocks online?

How do shoppers react to OOS?

How does shopper behavior impact brands and retailers?

What is the impact on sales?

...SO WE RESEARCHED

13,000 online shoppers
and all major retailer
websites over 273 days
in 6 countries

SIX COUNTRIES RESEARCHED



SIX FMCG CATEGORIES RESEARCHED



RESEARCH METHODOLOGY

STUDY #1

- Clavis Insights
- Extracted category-level data for 273 days (Jan 1 – Sept 30, 2016)
- Analyzed 12,706,725 data points

STUDY #2

- U.S. Data Provider
- Data collected June-Sept, 2016 from panelists who purchased target category online
- 8,185 qualified responses in USA

STUDY #3

- Global Data Provider
- Conducted in UK, Germany, France, Japan, and China
- Data collected Sept-Oct, 2016
- 5,039 qualified responses (1,000 per country)

STUDY #4

Interviews and Workshops with leading brands and retailers



WHAT DOES
“AVAILABLE TO PURCHASE”
MEAN?

- An item (SKU) is ATP at a retailer if it is
 - shown to in-stock at the retailer,
 - can be purchased on the retailer’s marketplace, or
 - or at the retailer’s physical store (in-store only).
- An item (SKU) is Non-ATP if it is
 - shown to be out-of-stock on the product page (i.e. *product is unavailable*), or
 - void, i.e. the product page has been suppressed (i.e. the *product is inaccessible*).

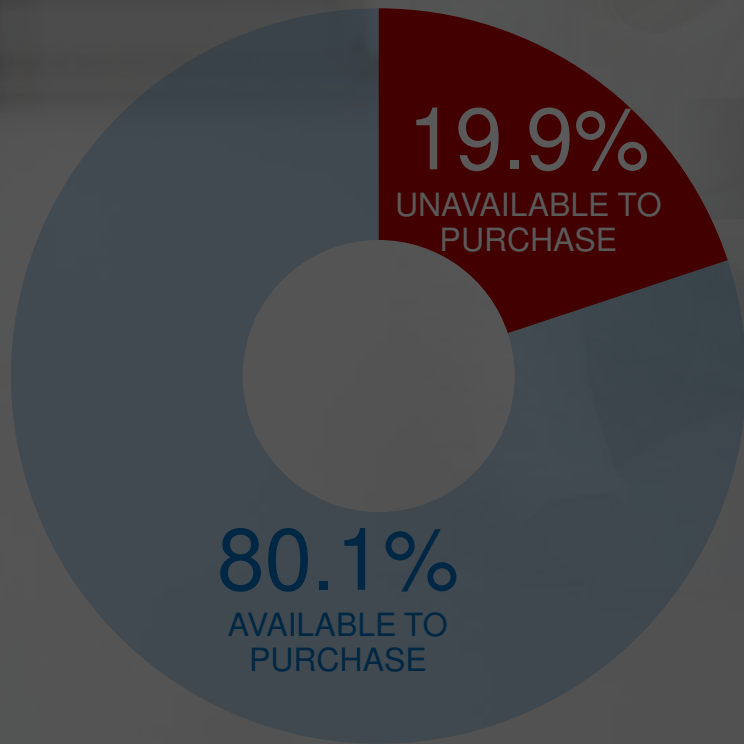


AVAILABLE – TO - PURCHASE | EXTENT AND CAUSES

#ClavisSummit

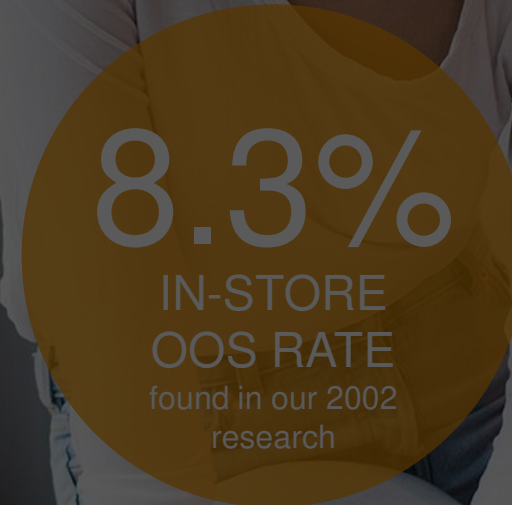
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UNAVAILABLE TO PURCHASE



COMPARE WITH

Why is the
online rate
so high?

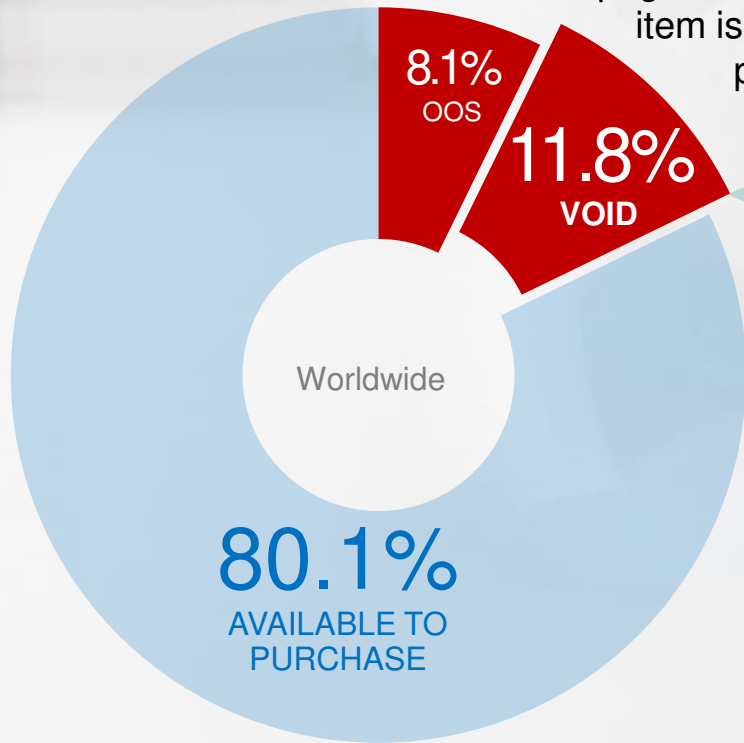


UNAVAILABLE TO PURCHASE

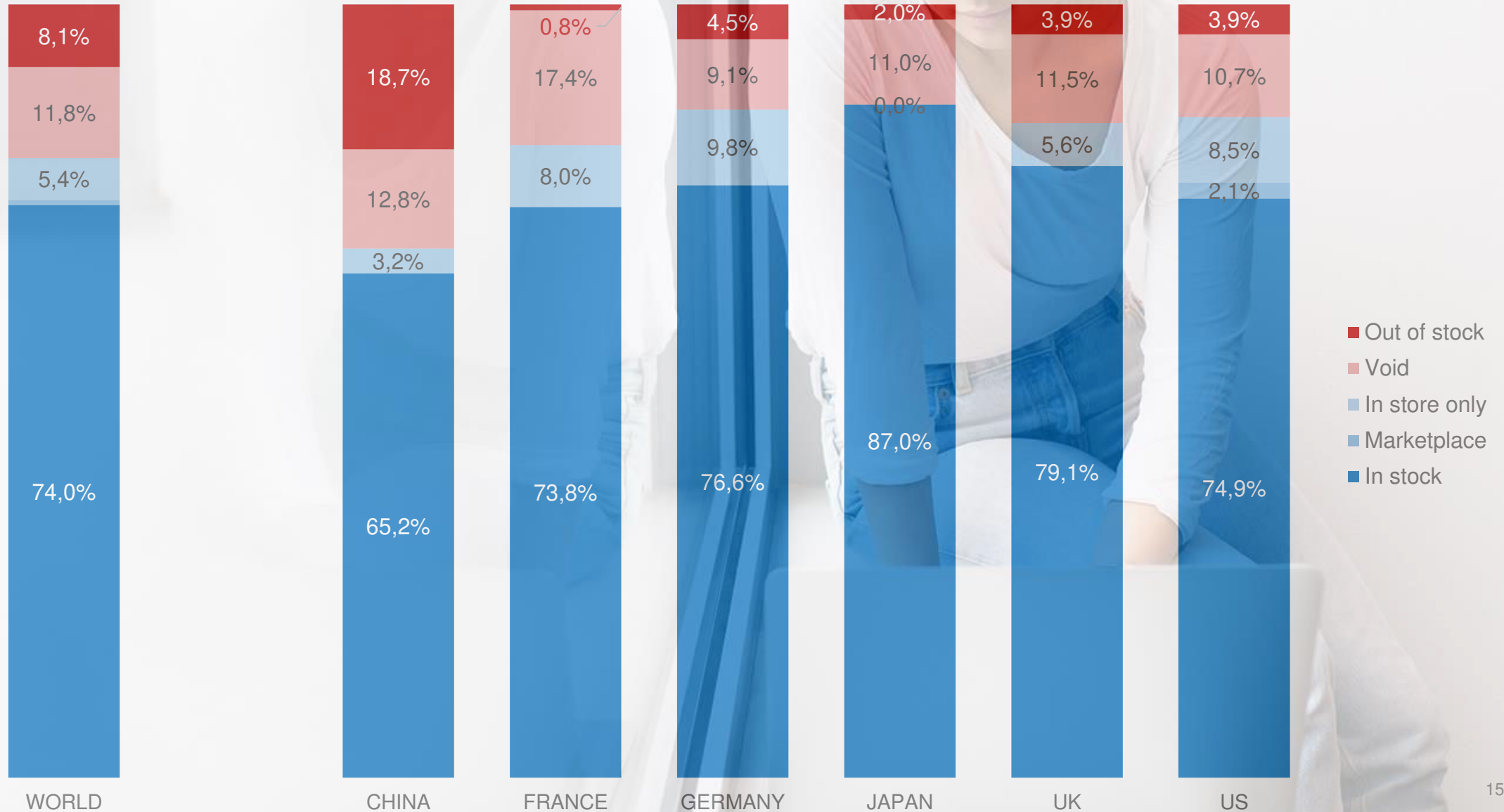
Out-of-stocks is a product page that indicates that an item is *unavailable* for purchase.

Void is a product pages that is *inaccessible* for shoppers due to commercial or technical reasons.

Voids add to Out-of-stocks

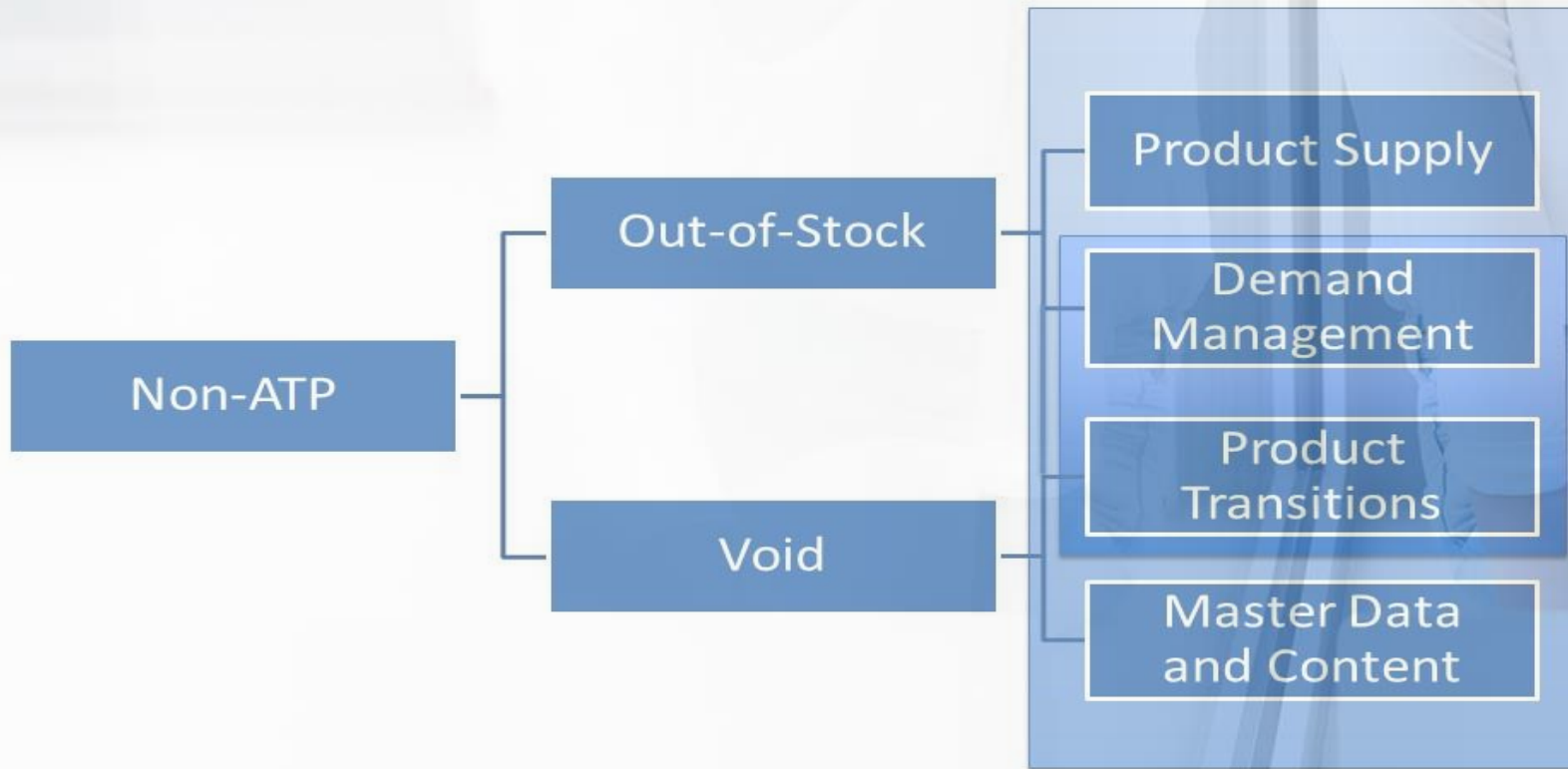


Online Availability by Country



WHAT ARE THE CAUSES?

FINDINGS FROM INTERVIEWS AND WORKSHOPS



Supplier led
Retailer led

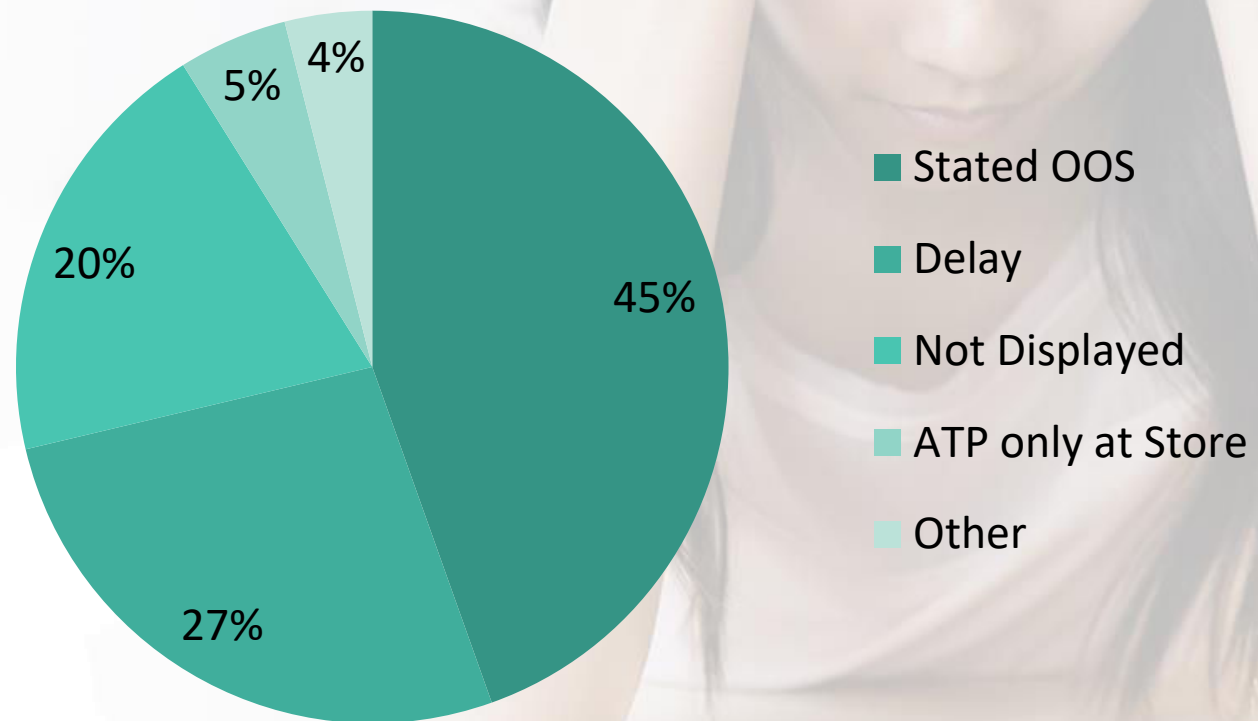
A woman with blonde hair tied back, wearing a grey button-down shirt, is holding a tablet. She is looking towards the camera with a slight smile. The background is dark with faint, light-colored circular and linear patterns. The text 'AVAILABLE - TO - PURCHASE' is overlaid on the image in white, uppercase letters, with a thin white line extending from the end of the text to the right.

AVAILABLE - TO - PURCHASE

SHOPPER RESPONSES

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HOW DO SHOPPERS EXPERIENCE NON-ATP?



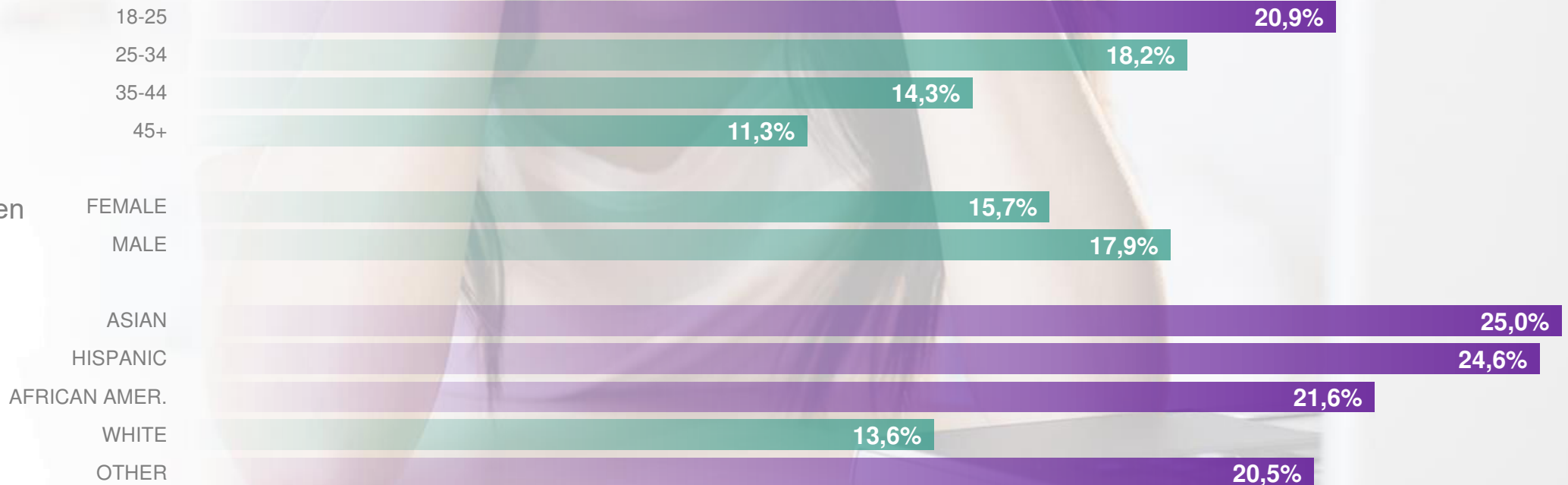
WHICH SHOPPERS EXPERIENCE NON-ATP?

PERCENTAGE OF US SHOPPERS EXPERIENCING NON-ATPs

Non-ATP rates are **highest among digital natives...**

... at parity between men & women ...

...and **much higher among minority shoppers.**

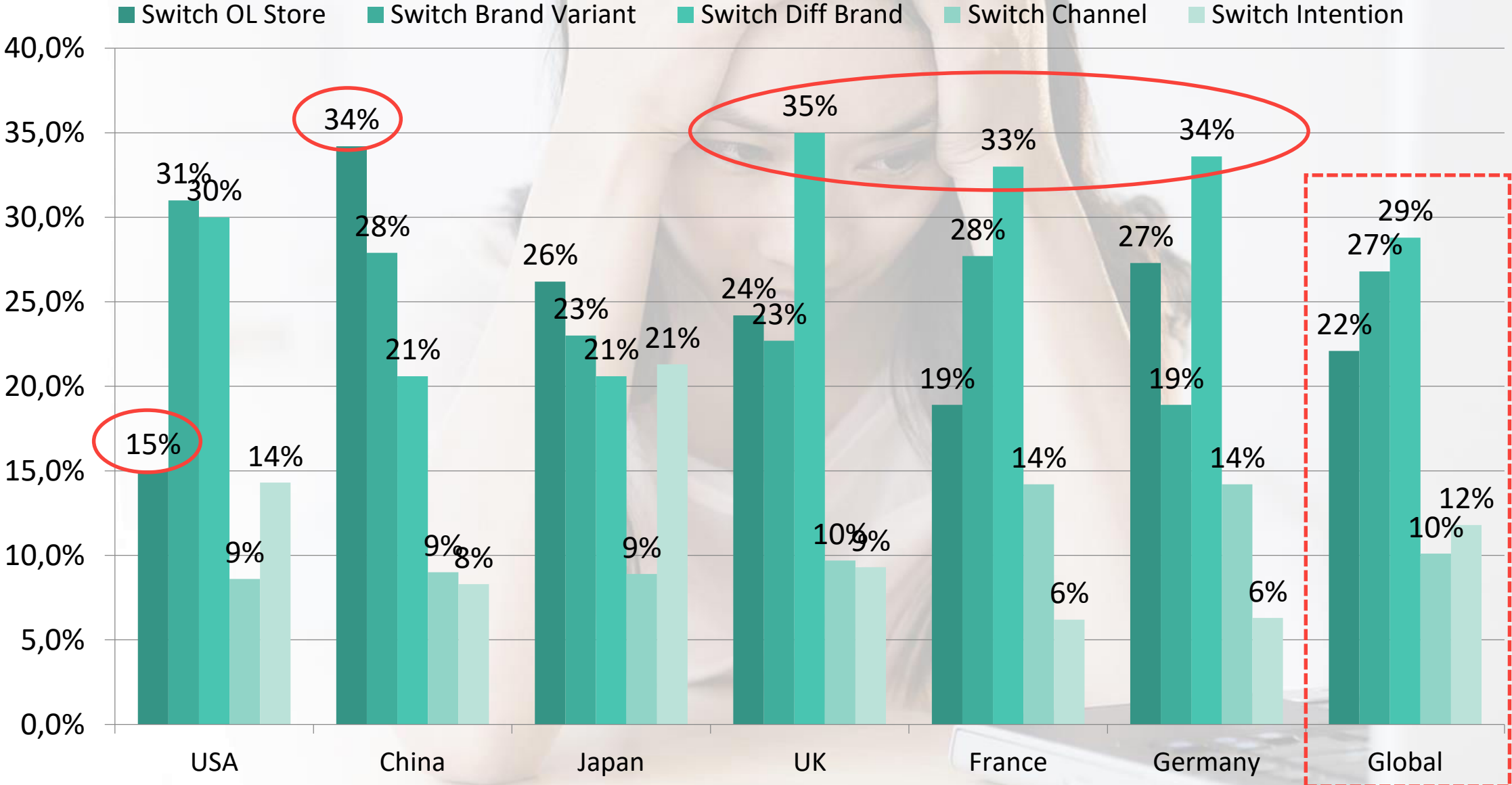


A woman with long dark hair is sitting at a desk, looking down with a stressed expression. Her hands are pressed against her forehead. In front of her is a laptop. The background is a bright, out-of-focus indoor setting.

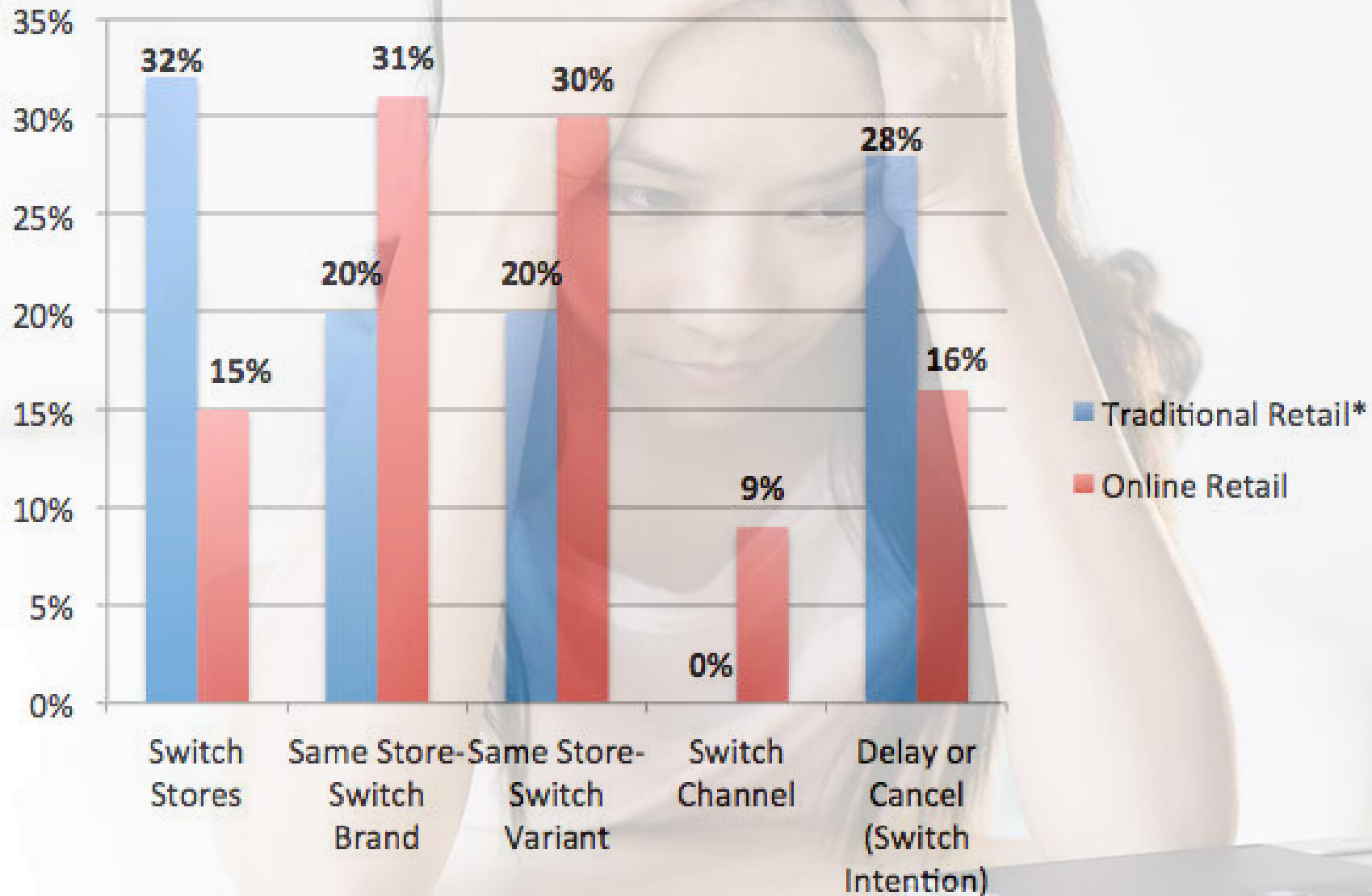
HOW DO SHOPPERS RESPOND TO NON-ATP?

- Substitute brand variant
- Substitute different brand
- Switch online store
- Switch channel to physical store
- Switch intention – do not make a purchase

How Does Shopper Switching Behavior Vary by Country?



How Does Online Shopper Switching Behavior Differ from Brick and Mortar Retail?



*USA Example; comparison with 2002 study

WHAT OTHER FACTORS AFFECT SWITCHING BEHAVIOR?

- Category effect
- Non-ATP encounter type effect
- Shopping trip effect
- Situation effect
- Online shopper type effect
- Demographics effect

How do
shoppers'
reactions
affect
retailers
& brands?



HOW DOES THIS AFFECT SALES?

- Retailers Lose Sales When Shoppers:
 - Switch Online Store
 - Switch Offline Store
 - Switch Intention: Delay or Cancel Purchase
- Brands Lose Sales When Shoppers:
 - Switch Brand
 - Switch Intention: Delay or Cancel Purchase
- Shoppers Always Lose!
 - Effects Long-Term Store and Brand Equity
 - Shoppers Seek Convenience Online

BRAND &
RETAILER

SHOPPER TRANSACTION LOSS



Call For Partners

- We are looking for companies to extend the study from non-food to food categories.
- Participants will receive **category-specific** insights on
 - Extent
 - Shopper Reactions
 - Brand and retail loss (not shown)
 - Root Causes
- Research team will work with participants to develop business case and increase online availability.
- Start: Q4 2017 (asap)
- Budget: to be discussed

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Creating an Analytics Program to Monitor Online Channel Availability

Boston | Dublin | London | Paris | Shanghai

Out of Stocks: bad for ecosystem: brands, retailers & eCommerce all negatively impacted

eCommerce: Retail Shifts from Push to Pull

- Item set-up Critical
- Retail buys Driven by Consumer

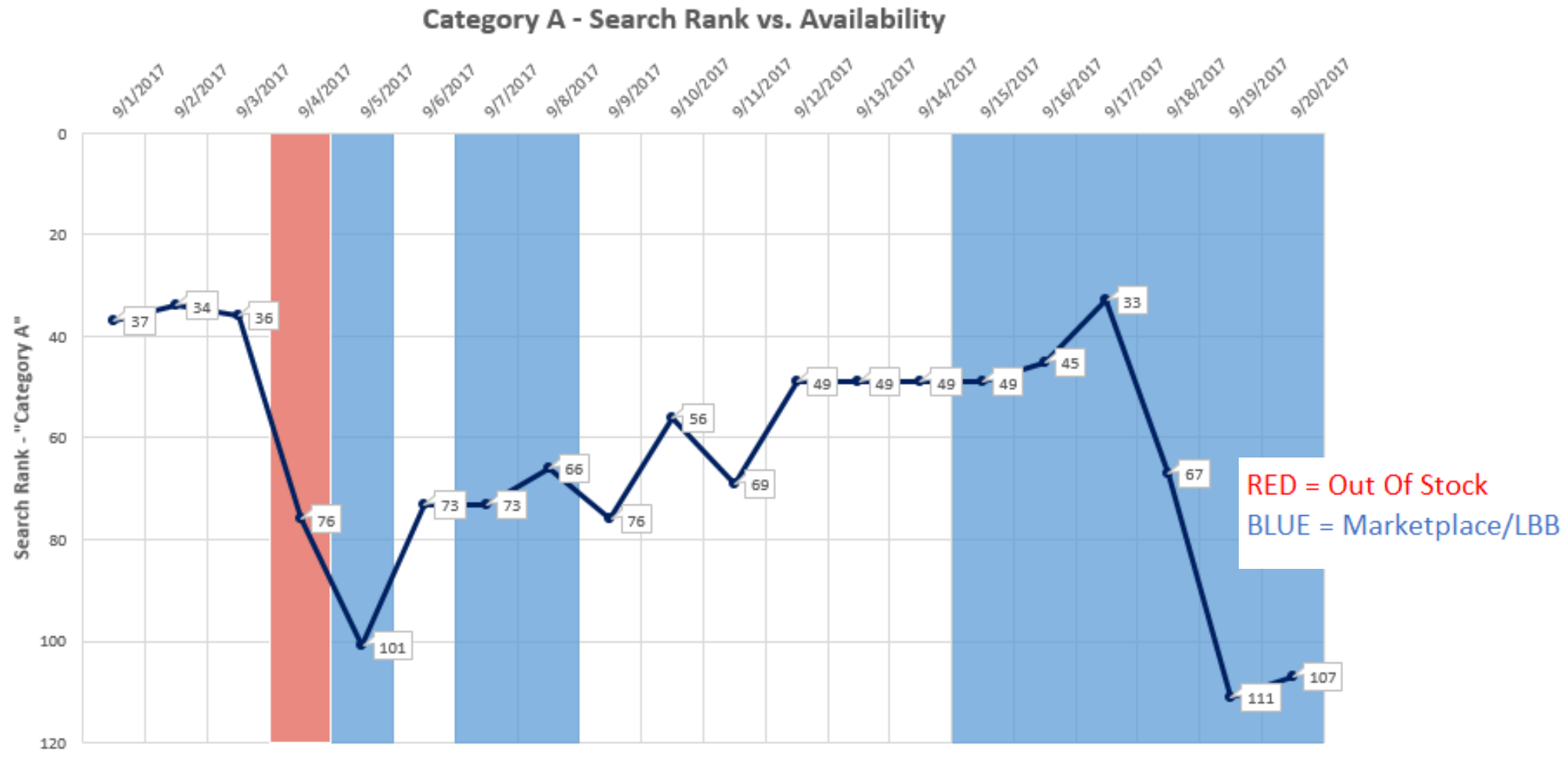
Higher risk of Out-of-Stock

- Lost sales
- Consumer Loyalty Tested
- Negative Impact on Search



Availability has a direct correlation to search

- As the below item went out of stock or marketplace, search rankings dropped.



Metric Analysis Summary – Category A



Search

40% Sales Loss
Dropping from Position
5 to 15 but varies
throughout results



Availability

10% Sales Loss per
SKU per day OOS



Promotions

Presence of VPC does
not statistically
significant but % below
MSRP has a correlation



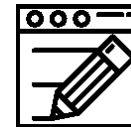
Ratings

20% Sales Increase per
.1 rating improvement
for SKU w/ 500 reviews



Reviews

10% Sales Increase
per 100 additional
reviews for SKU w/ 4.5
average rating



Content Integrity

Unable to measure as
all SKUs passed
evaluated rule



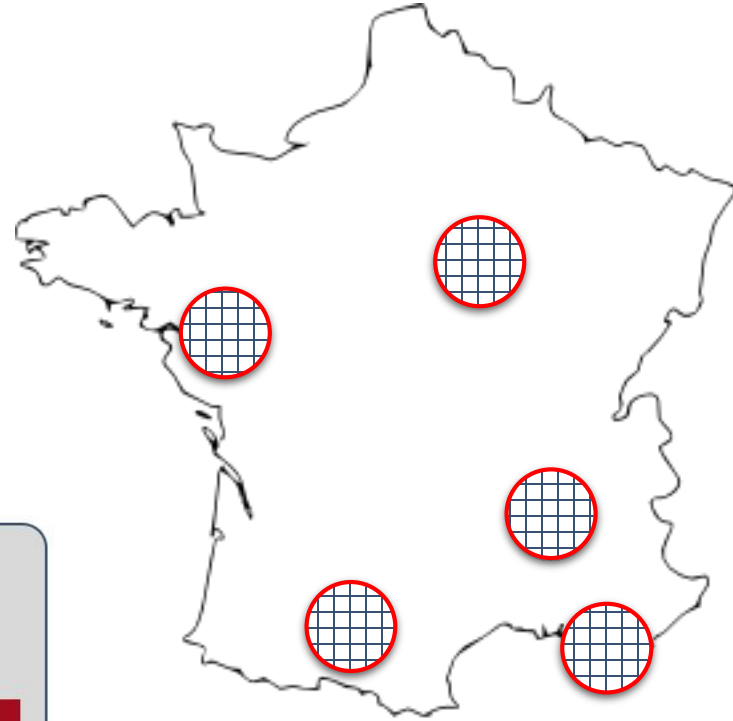
Image Accuracy

Passing SKUs have 2%
higher sales than
Failing SKUs

Click & Collect Location Based Analytics

1) “Drive” or “Click & Collect” Model

- Order online, pickup at location
- Densely populated areas
- Monitor Assortment & Availability at physical pickup locations



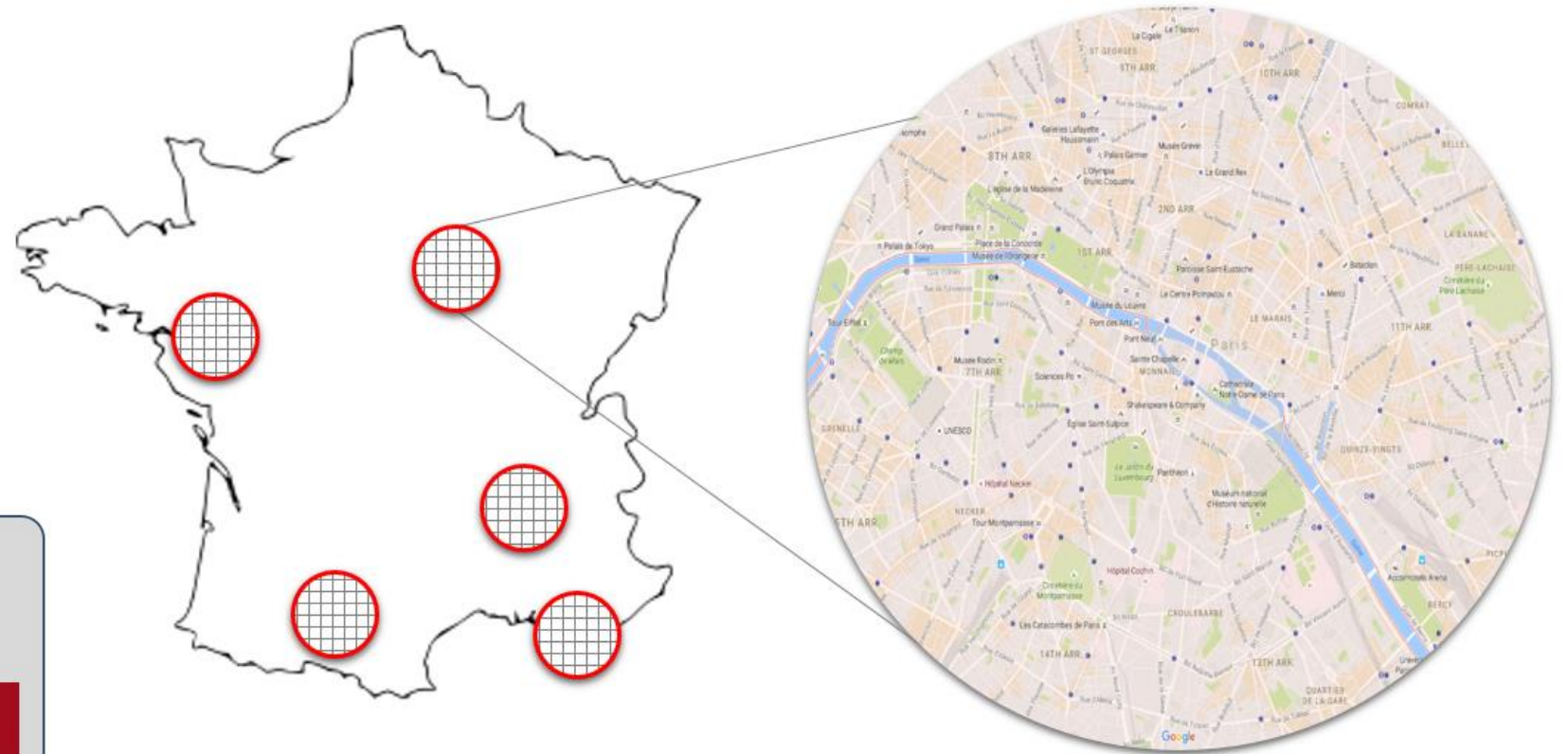
Click & Collect / “Drive”



Click & Collect Location Based Analytics

1) "Drive" or "Click & Collect" Model

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Click & Collect / "Drive"



1



2

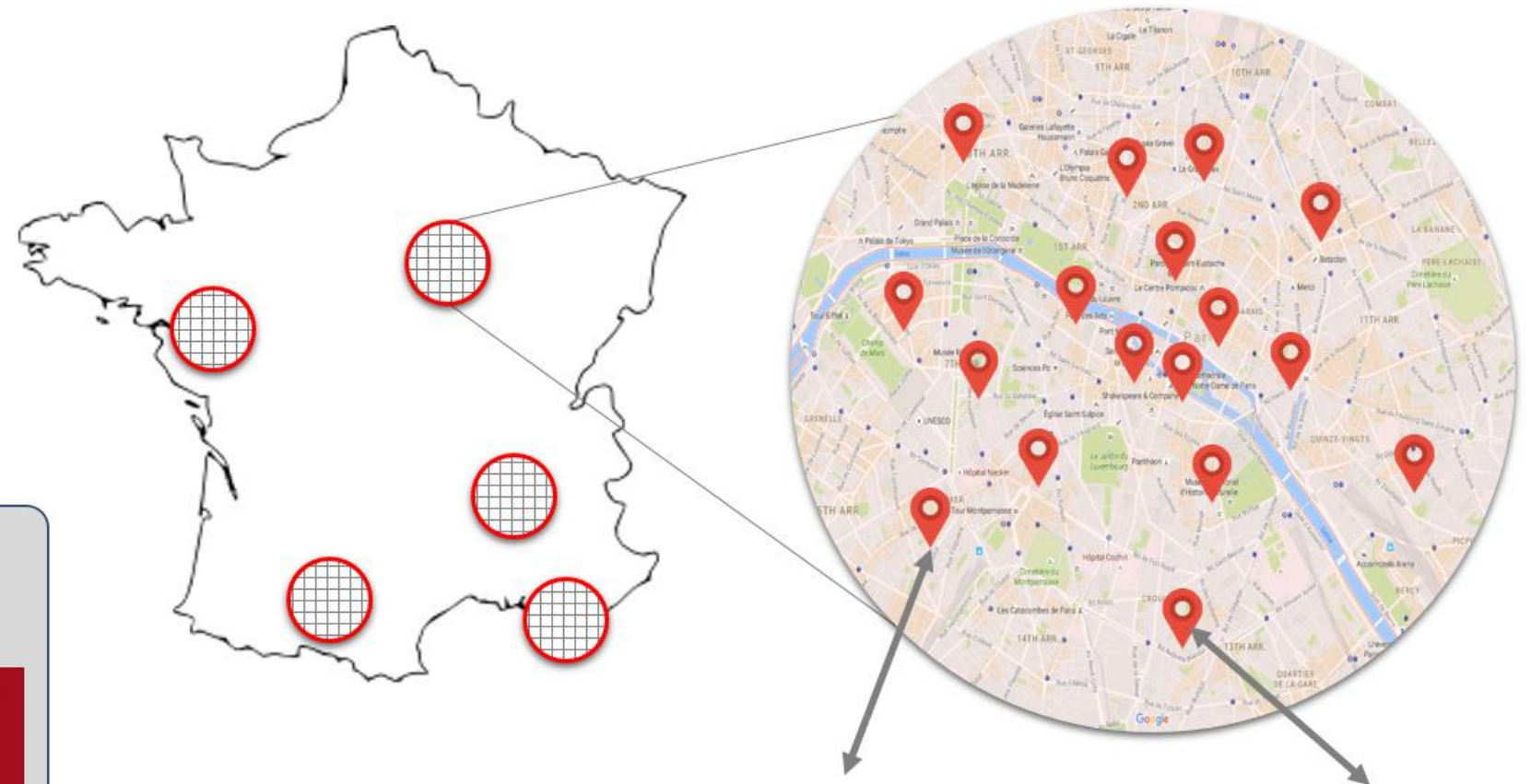


3

Click & Collect Location Based Analytics

1) "Drive" or "Click & Collect" Model

- Order online, pickup at location
- Densely populated areas
- Monitor Assortment & Availability at physical pickup *locations*



Distribution: 67%
Availability: 89%

Distribution: 72%
Availability: 85%

Click & Collect / "Drive"



Home Delivery Location Based Analytics

2) Order Online for Home Delivery

- Order online for delivery
- Any shopper's Assortment & Availability depends on the nearest Distribution Center
- Monitor distribution & Availability of zones



Order Online for Home Delivery



Home Delivery Location Based Analytics

2) Order Online for Home Delivery

- Order online for delivery
- Any shopper's Assortment & Availability depends on the nearest Distribution Center
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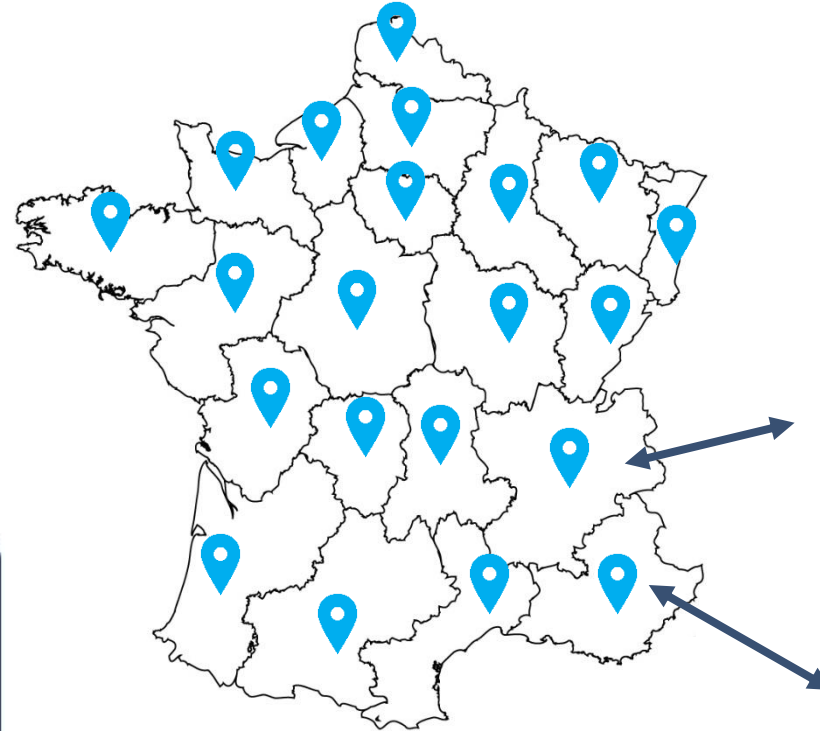
Order Online for Home Delivery



Home Delivery Location Based Analytics

2) Order Online for Home Delivery

- Order online for delivery
- Any shopper's Assortment & Availability depends on the nearest Distribution Center
- Monitor distribution & Availability of *zones*



Distribution: 77%
Availability: 92%

Distribution: 84%
Availability: 93%

Order Online for Home Delivery



How to Manage Availability online

- Understand how availability issues manifest differently across retailers
 - What does out of stock look like?
 - How do risks differ across retailers?
 - What visibility do my retail partners give to availability outages?
- Track availability closely across retailers and geographies to allow you to react quickly
 - Availability issues typically can't be fixed quickly – the sooner you know, the sooner you can set the wheels in motion to fix
 - Alerts from Clavis' platform can help you be proactive

Questions & Answers



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