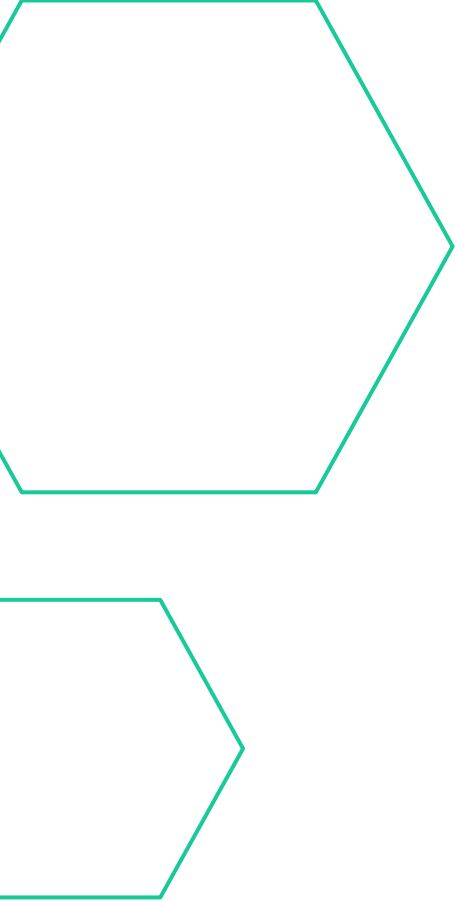




Marketing in a Crisis: The Next Chapter for Ecommerce Advertising

Prepared for Kenshoo Webinar Audience
May 14, 2020



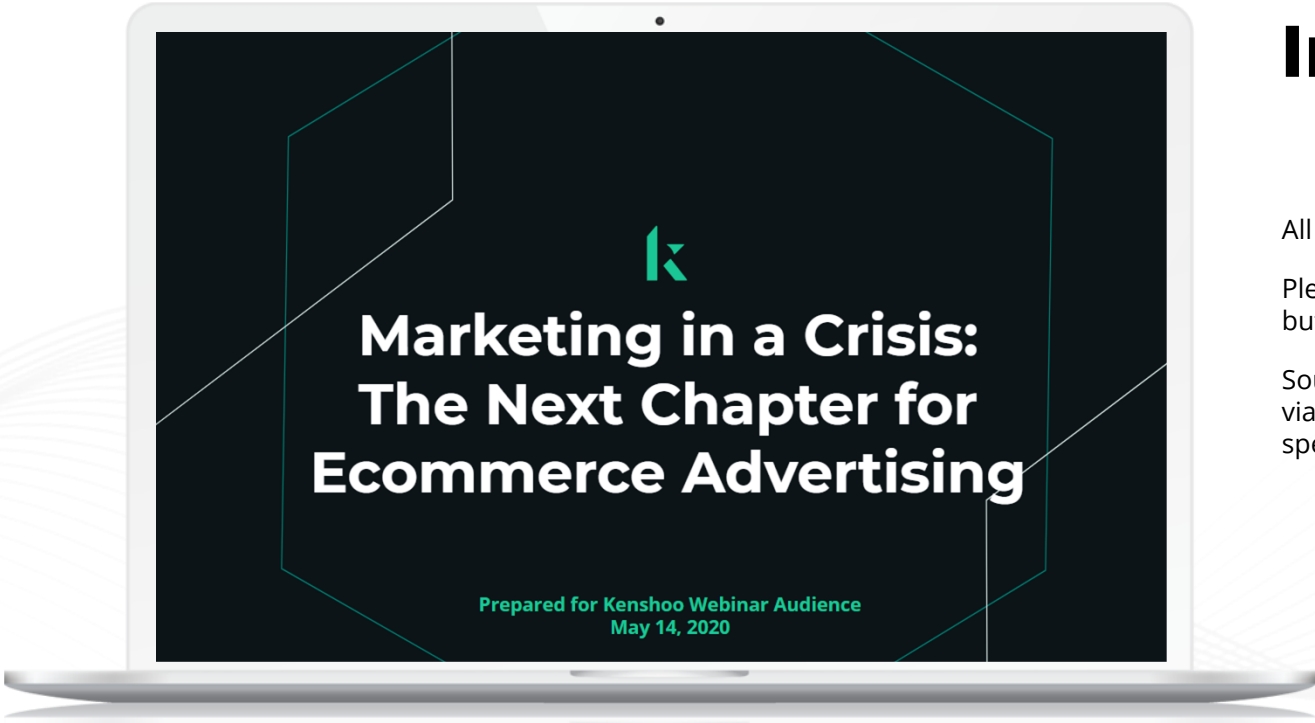
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Webinar Information

All attendees are in listen-only mode

Please submit any questions via the Q&A button on the panel at the bottom

Sound issues? Participants can access audio via the telephone or computer mic & speakers



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On Today's Call



Chris 'Coz' Costello

**Senior Director of
Marketing Research**



Kevin Weiss

**VP of Client
Success,
Ecommerce**



Our mission: Total Marketing Intelligence

Kenshoo empowers businesses with

data they can trust,

insights they can use and

impact they can measure.



kenshoo

Reach

ALL critical media publishers in one platform

2000+

Brands & Agencies

~\$7B

Spend Under Management

Data

Actionable insights based on cross-channel intelligence

100+

3rd Party Integrations

2PB

Data Points

Experts

Industry experts for unparalleled global support & strategy

27

International Locations

7M

Audience Segments

COVID-19 Resource Hub

Cross-channel industry insights
updated weekly

Channel-specific toolkits

Blog posts

Other resources

<https://kenshoo.com/covid-19-resources/>

Agenda

Executive Summary & Core Insights

Advertiser & Consumer Insights

Taking Action

The Bottom Line

Executive Summary

Ecommerce is more important now than ever



+4yrs

Amount of time that the US will fast forward in terms of the expected shift in consumer purchase behavior from Brick & Mortar to Ecommerce versus previous expectations



107%

Percentage of expected year-over-year sales lift on Amazon in May for Essential products brands versus 19% expected year-over-year lift in sales for Non-Essential products brands



74%

Percentage of advertisers who plan to increase or maintain Amazon Search Advertising spend levels in May, including both Essentials and Non-Essentials

Core Insights

Prolonged impact is accelerating digital transformation



More New Shoppers Buying Online

End-consumers are switching purchases from brick & mortar retail to online faster than ever before, with Amazon and Walmart.com as top buying destinations



Essential vs Non-Essential Delineation

Essential product categories have been in the limelight, but purchase behavior is normalizing as logistics (FBA & WFS) catches up to support the new normal



Prolonged Recovery is Likely

Demand side and supply side are both anticipating a sustained economic impact, forcing brands to adapt to changing conditions in the face of uncertainty



Investments Must Be Smarter

Brand manufacturers are investing in proven tactics such as listing optimization, sponsored product ads and technology to drive automation



Advertiser & Consumer Insights

Before COVID-19 Ecommerce was Important

It was an exciting and challenging time for Ecomm marketers



Ecomm Still Becoming More **Complex** & **Competitive**

- New Ad Formats
- New Optimization Levers
- New Geographic Markets
- New Eligibility Requirements
- Winning the Buy Box
- Out-of-Stock Issues
- Decreasing Share of Voice
- Increasing ACoS
- etc.



More Retailers Still Becoming **Pay- to-Play**



Data Still **Fragmented** & Difficult to Act On

- Competitive/Share
- Paid vs. Organic Performance
- Inventory Levels & Forecasting
- Advertising Eligibility
- Ratings & Reviews
- DSP & Offsite Media
- Cross-Retailer
- Cross-Channel
- etc.

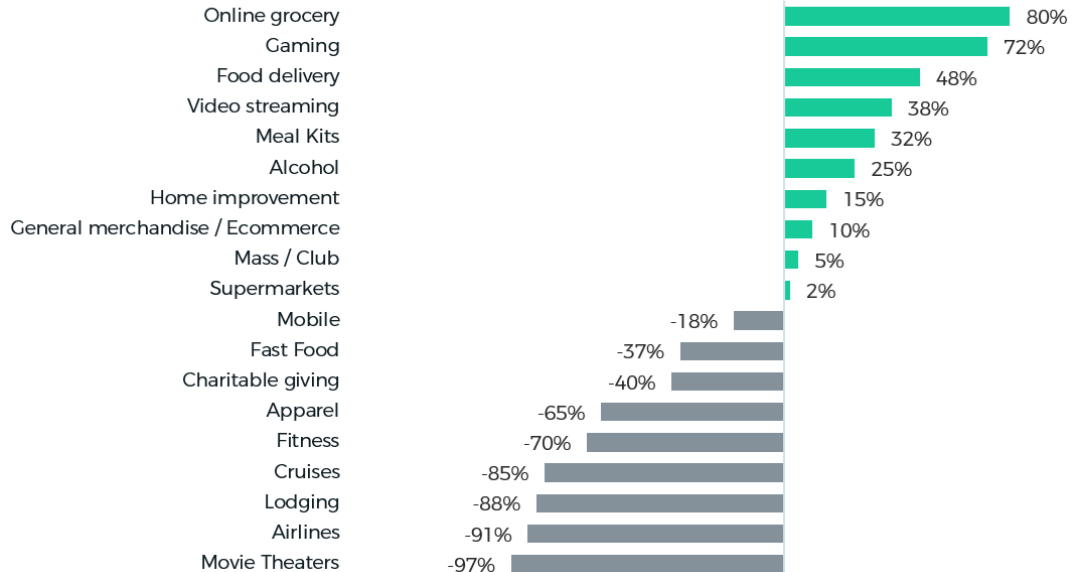
Rapid Changes in Consumer Buying Behavior

Categories experiencing significant shifts

Core Guidance

- ✓ With consumers staying at home, many verticals are having adverse impact while others are seeing significant increase in demand
- ✓ Behaviors have begun to stabilize, but will be in flux as locations begin the process of gradual economic re-opening

% Change in Consumer Buying Behavior



Consumers Are Switching to Ecommerce

COVID-19 is driving consumers globally to buy online

Core Guidance

- ✓ Generally speaking, Ecommerce is one of the sectors across the global economy that is experiencing an increase in overall demand
- ✓ The already dominant Ecommerce destinations are positioned to pick up sales as a result of consumer behavior shifts

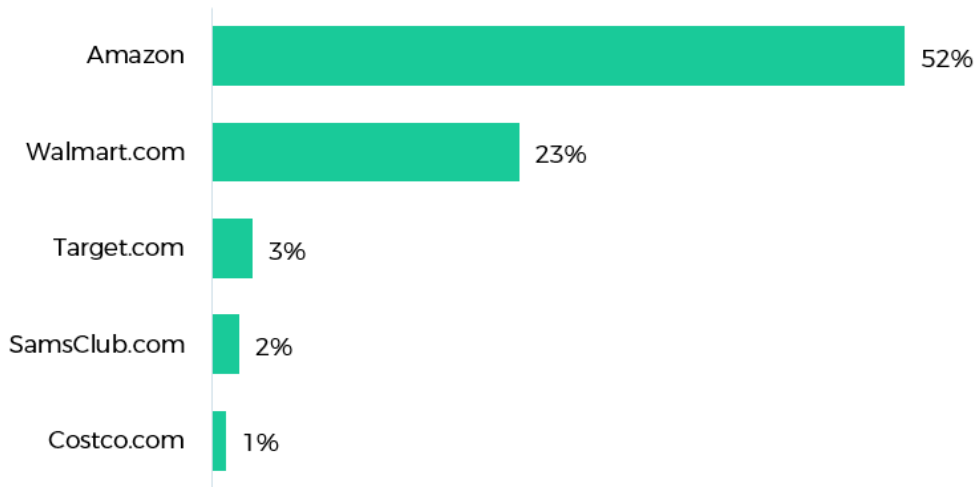
Consumer Behaviors by Country

| | US | UK | DE | SP | FR | NL | AU | CN* |
|---|-----|-----|-----|-----|-----|-----|-----|------|
| % who expect to use digital shopping channels more in the future | 59% | 58% | 64% | 80% | 68% | 59% | 67% | 93% |
| Frequency of monthly purchases on Amazon | 8.7 | 7.5 | 9.2 | 7.1 | 6.7 | 2.8 | 3.2 | 12.6 |
| Frequency of monthly purchasing from branded websites | 2.8 | 2.7 | 3.1 | 4.3 | 3.5 | 3.5 | 3.6 | 9.0 |
| Avg. time consumers expect to wait for deliver from online shopping | 3.1 | 2.6 | 2.5 | 2.2 | 3.1 | 2.1 | 4.1 | 1.4 |
| % who wish more brands and retailers offered services like Amazon | 82% | 79% | 72% | 88% | 80% | 56% | 69% | 91% |

Ecommerce is More Important Now Than Ever

Amazon and Walmart.com are top destinations

Where Are Customers Shifting Their Online Purchases Towards?



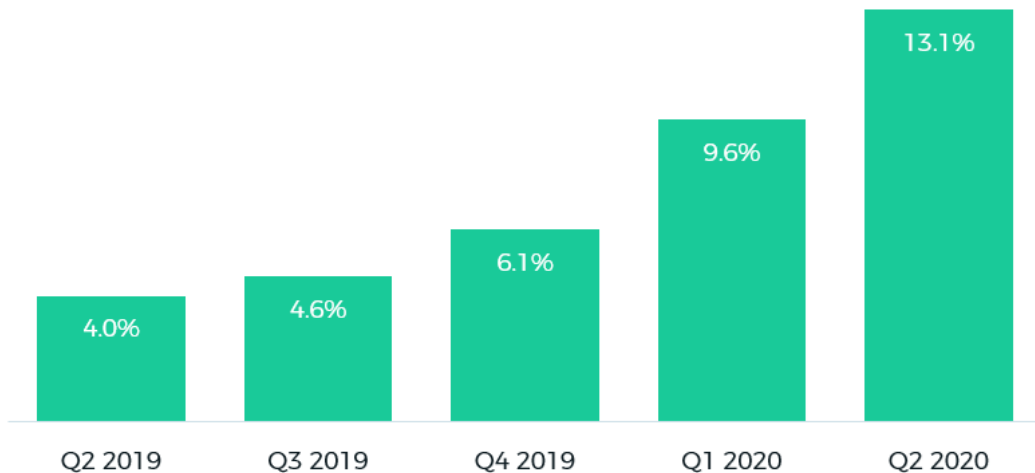
Core Guidance

- ✓ Amazon and [Walmart.com](#) are picking up market share as purchases shift from Brick & Mortar to online
- ✓ The role of Ecommerce will forever be changed, but now is more important than ever as many consumers buy online for the first time
- ✓ Brands need to maintain presence in top channels

Now is the Time to Acquire Customers

New to Brand customers are on the rise

New to Brand Orders as Percentage of
Total Ad Order Volume
(Q2 2019 – QTD Q2 2020)



Core Guidance

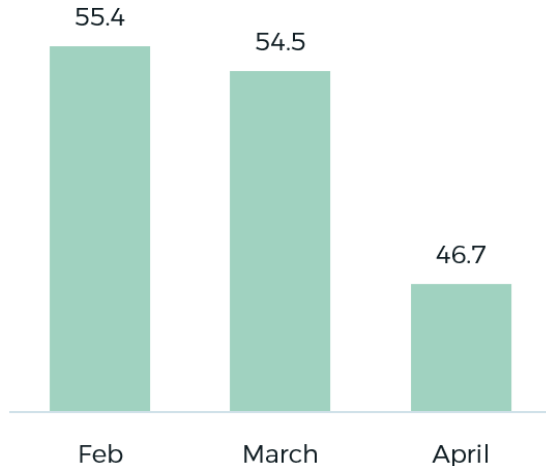
- ✓ New to Brand is metric from Amazon available for Sponsored Brand ads that measures new customers
- ✓ Total Ad Order Volume is the total number of orders from customers who clicked on an ad
- ✓ New to Brand as a percentage of Total Ad Order volume has increased **+115%** since Q4 2019

Coronavirus Pandemic Affects Us All

Businesses must act despite economic uncertainty

U.S. Consumer Confidence Index

(Score of 50 represents historical median)



60%

of U.S. Adults are concerned about losing their job due to the pandemic

-7%

Projected decline in U.S. GDP in Q2

Core Guidance

- ✓ Unemployment is surging to levels not seen since the Great Depression, resulting in growing job loss concerns
- ✓ From the CBO to investment banks to analysts, economic production is projected to decline anywhere from **4-12%**
- ✓ We will recover, but the road will not be easy to overcome and businesses must act in the face of economic uncertainty

Prolonged Impact is Likely

Demand side and supply side share common expectations

58%

Suppliers expecting demand will return to normal by summer or fall

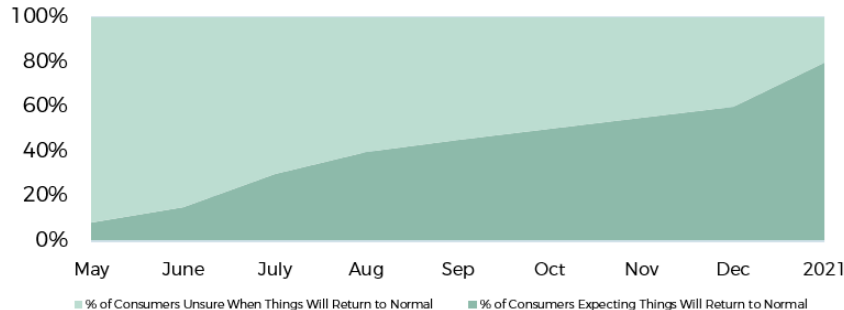
66%

Consumers expecting to return to normal by late fall

Core Guidance

- ✓ The majority of respondents on both sides of the Ecommerce marketplace expect at least 3 more months of sustained impact from COVID-19 before things will return to normal
- ✓ Planning should incorporate a gradual return that may last into 2021 for certain economic drivers such as vacations, travel and dining out
- ✓ Ecommerce will be a bright spot in the economy relative to other sectors

Consumer Expectations About Return to "Normal"



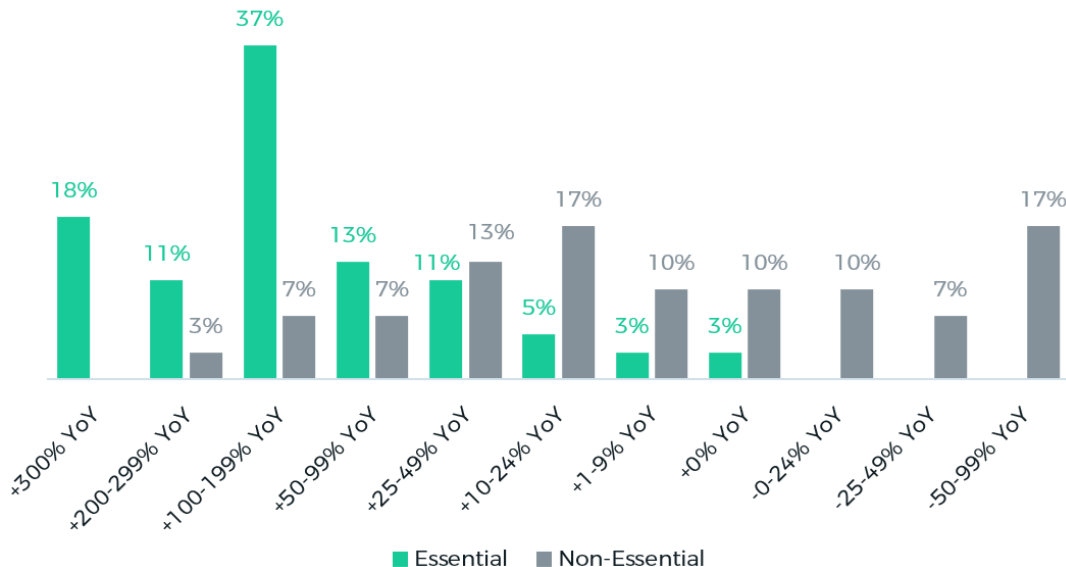
Essential / Non-Essential Makes a Difference

COVID-19 has changed the landscape

Core Guidance

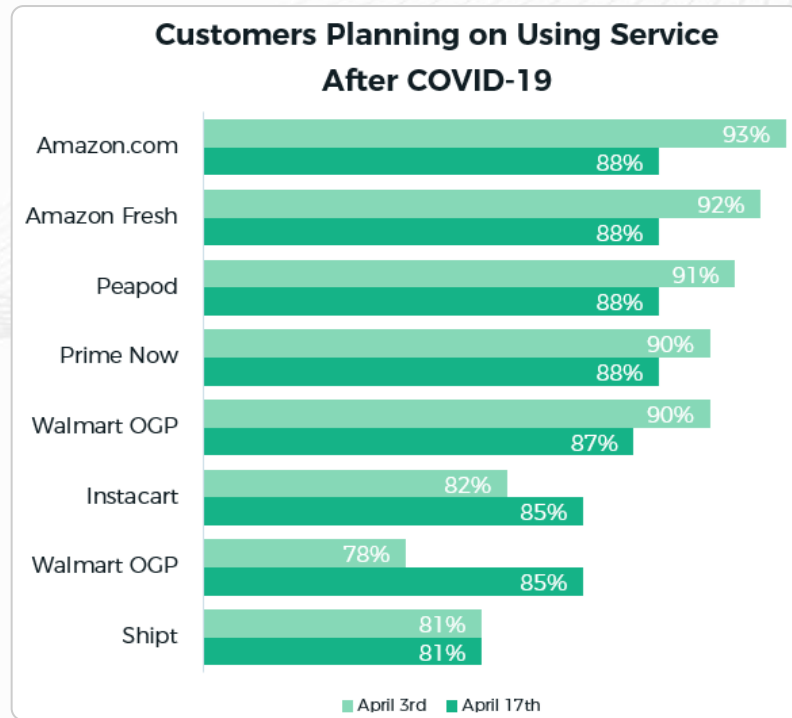
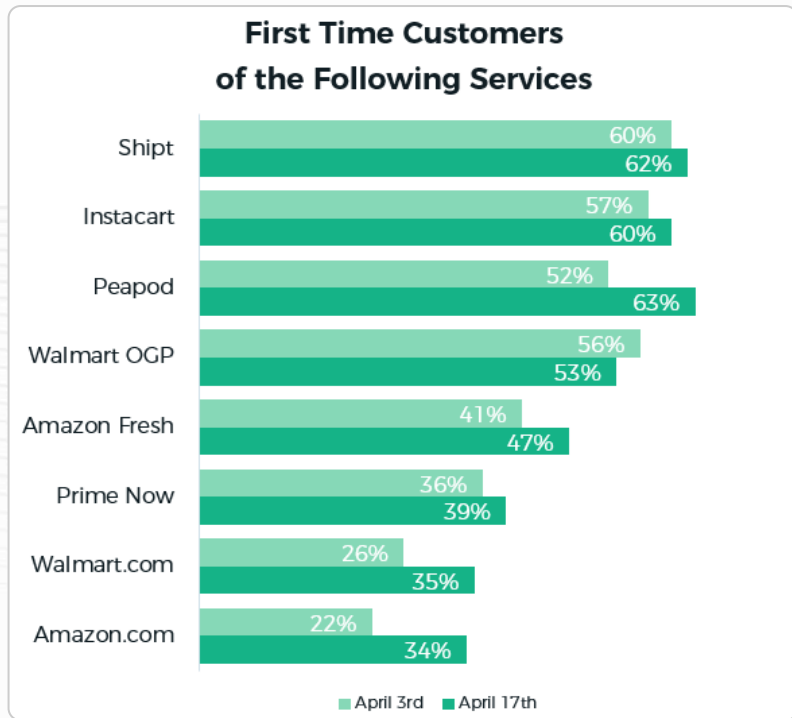
- ✓ Essential products on Amazon averaged **+167%** lift in sales year-over-year in March and **+157%** lift in April
- ✓ Non-Essential products performance was down **-12%** year-over-year in March but up **+21%** in April
- ✓ Overall sales on Amazon were up **+29%** in Q1 year-over-year in US

Essential vs Non-Essential Designation YoY Amazon Sales Growth for April



Ecommerce Gaining Surge of New Customers

Grocery is a good indicator of the lasting impacts of COVID-19



Online CPG Sales are Accelerating Fast

Massive demand increases across the board for online grocery

Core Guidance

- ✓ In terms of CPG, Grocery is performing better than Healthy & Personal Care (HPC) and Beauty
- ✓ The Walmart app became the #1 most downloaded app in the iOS App Store
- ✓ Online grocery delivery through Instacart, Shipt has surged with Mass and Club stores leading the pack over conventional
- ✓ Grocery purchases are frequent, recurring and drive the flywheel for purchases in Non-Essential product categories

+96%

Increase in demand
for Amazon Fresh

86M

Monthly users of
the Walmart
mobile app

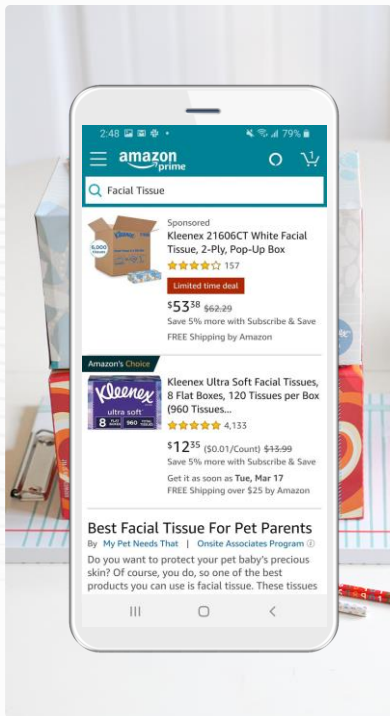
+200%

Increase in daily
downloads of
Instacart

31%

Consumers who had
most of their
groceries delivered in
the past 2 weeks

Amazon Search Spend Will Increase or Stay Flat in May 2020



+84%

Advertisers of Essential products planning to **increase** or maintain Amazon Search ad spend in May

+63%

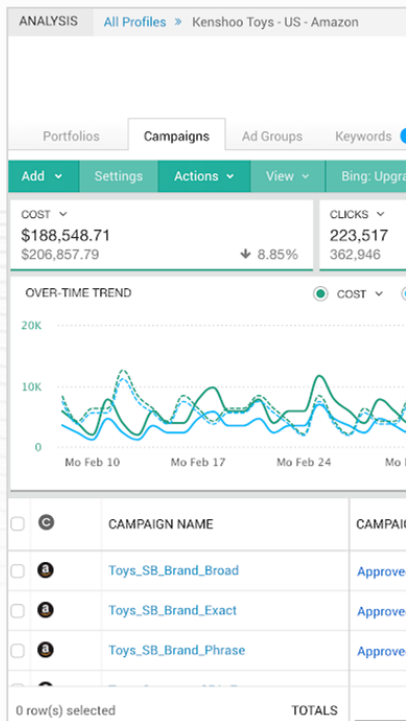
Advertisers of Non-Essential products planning to **increase** or maintain Amazon Search ad spend in May

Core Guidance

- ✓ Advertisers are optimistic about Amazon Search Advertising, as evidenced by the estimated **+44%** year-over-year lift in Amazon revenue from advertising for Q1
- ✓ Just **27%** of Amazon advertisers are planning on decreasing spend as a result of COVID-19
- ✓ Advertisers of Essential products are **+22%** more confident heading into May than they were in April whereas Advertisers of Non-Essential products are **-3%** less confident

Ecomm Search Ads KPIs Still Strong Into Q2

Sponsored Product Ads are performing better than in Q1



-17%

Decrease
in CPC on Ecomm
Search Week of
March 1st to Week
of May 3rd

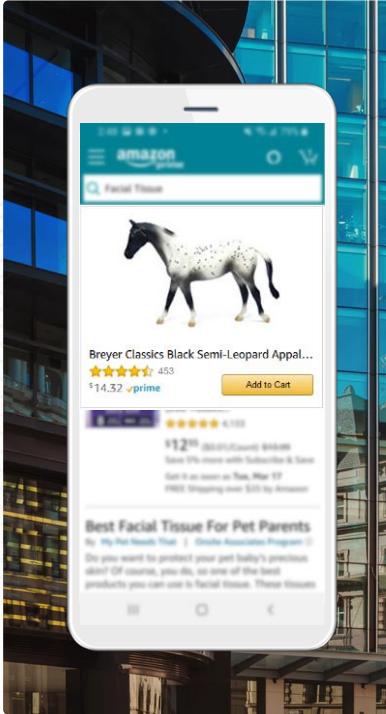
+66%

Increase
in CTR on Ecomm
Search Week of
March 1st to Week of
May 3rd

Core Guidance

- ✓ More favorable CPCs and steady Conversion Rates (CR) have afforded advertisers more efficient ad spend
- ✓ ACoS improved from 17.2% in February to 15.2% in March to 14.7% in April and is pacing to ~15% in May
- ✓ Engagement in Sponsored Product and Sponsored Brand ads is high, largely* due to new customers shopping on Amazon

Amazon Display Spend Will Decrease or Stay Flat in May 2020



-77%

Advertisers of Essential products planning to **decrease** or maintain Amazon Display ad spend in May

-92%

Advertisers of Non-Essential products planning to **decrease** or maintain Amazon Display ad spend in May

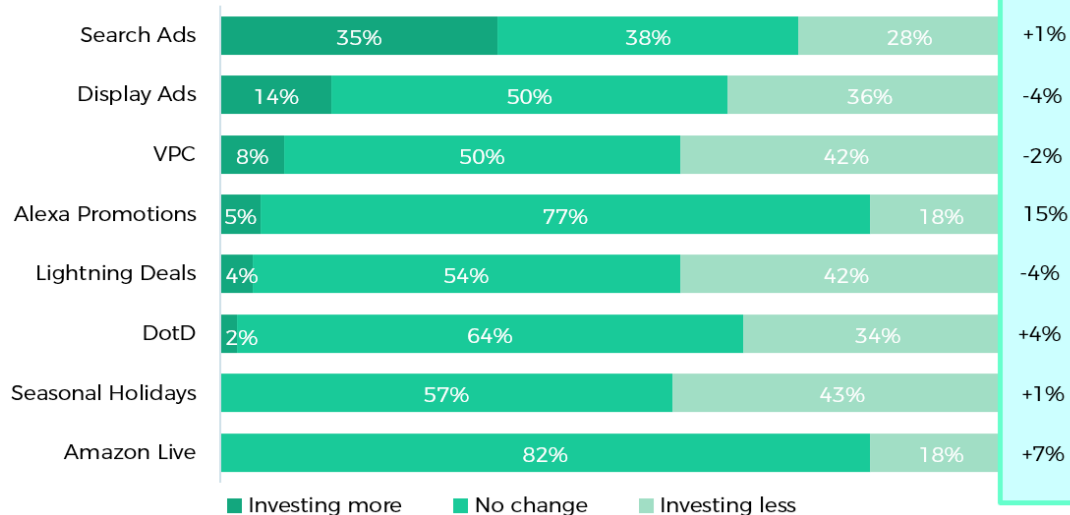
Core Guidance

- ✓ Advertisers are expecting to decrease or maintain budget for Amazon Display Advertising across both Essential and Non-Essential designations
- ✓ Advertiser attitude has stabilized and is trending slightly downward with **-2%** confidence since April 1st, 2020

Promo & Ad Budgets for Amazon Stabilized

Performance marketing should increase or see no change

Vendor Plans to Adjust Promotion and Advertising Plans in CY2020



Core Guidance

- ✓ Brands are still bullish on Search Ads (e.g., Sponsored Product and Sponsored Brand)
- ✓ Essential brands are more confident than Non-Essential brands
- ✓ 90% of brands plan to spend the same amount or more on Prime Day 2020 vs 2019 and 87% will invest in Search Ads to promote



Taking Action

Important Questions You Should Be Asking

Have you responded to changing market conditions?



Issues

Supply Chain quality
fully intact?

Best selling products
Out of Stock (OOS)?

Restricted Category?

Price Competitiveness?

POs not coming in?



Performance

Conversion Rates
(CR) increasing or
decrease?

ACoS increasing or
decreasing?

Ad (i.e., ASIN)
performance shifting
rapidly?



Investments

Capturing new
demand?

Cannibalizing
organic search?

Shift budget for
Non-Essentials to
brand awareness
through DSP?



Guidance

Talking with your
vendor manager?

Communicating
with your Amazon
Advertising Account
Executive (AE)?

Meeting internally
across marketing,
sales and ops?

Best Practices to Manage During Crisis

Steps all Ecommerce Advertisers should be taking



Monitor

Ensure you have systems in place to monitor all of the moving pieces with your Ecommerce business - especially advertising



Analyze

Use technology to quickly identify trends, problems and opportunities so you can take action within your advertising campaigns



Automate

Leverage Machine Learning algorithms to process data and optimize for performance automatically with Ecommerce advertising



Strategize

Invest in Ecommerce by reallocating resources (e.g., ad budget, people, etc) and expanding channels (e.g., Walmart.com, Target.com, etc)

Monitor

Start uncovering the impact of COVID-19 on your Ecommerce program by monitoring your data for changes. You can react more quickly by monitoring with technology.



Up to

+/- **70%**

Change in conversion rate is possible as a result of Amazon's changes to shipping delivery windows

Core Guidance

- ✓ **Campaign Performance:** Make sure you've established objectives for each campaign or ad group to inform you of your performance relative to your goals.
- ✓ **Conversion Rate:** As consumer behaviors change, it's not just demand that's changing rapidly – Amazon is having trouble maintaining its commitments for one-day and two-day delivery.
- ✓ **Trending Changes:** Searching for suddenly scarce items has taken on new urgency. Be sure to monitor inventory positions and shipping delivery windows.

Analyze

Monitoring data is only the first step - analysis is the vital second step required to enable proactive adjustments. You can implement adjustments more quickly with technology and proper structure.



66%

Increase in Click-Thru-Rate (CTR) on Amazon Search Advertising from Week of March 1st to Week of May 3rd

Core Guidance

- ✓ **Campaign Structure:** Create campaigns structures that are organized so you can quickly synthesize findings.
- ✓ **Adapt for Relevancy:** Identify opportunities to adapt targeting and reposition while being tactful, such as optimizing for “home office” instead of “corporate office.”
- ✓ **Search Terms:** Use the Amazon Search Terms report and Customer Search Query report to unearth and optimize to changes in search behavior.

Automate

Some activities within your Ecommerce program are well suited for automation such as bid optimization. You can use technology to leverage data at scale while maintaining performance.



14%

Avg. ACoS across
Amazon and
Walmart.com Search
Advertising in April

Core Guidance

- ✓ **Leverage Machine Learning for Ecomm Ads:** The technology is readily available today and can help you process massive amounts of data to optimize advertising campaigns to your performance goals.
- ✓ **Set Up Recurring Rules:** With conditions changing rapidly, establishing rule-based changes or updates can help save valuable time.
- ✓ **Find Opportunities for Automation:** With technology advancements there are many opportunities for automation.

Strategize

Kenshoo's Expert Services team includes Ecommerce subject matter experts with enterprise experience across brands and agencies. Ask about our capabilities to see where we can help most.



#1 BSR

Clients we work with have taken #1 Best Seller Rank spots in their sub-categories after implementing changes from consulting

Core Guidance

- ✓ **Expand Ecommerce:** While Amazon has dominated Ecommerce, the surge in demand towards online purchase is accelerating sales on Walmart.com, Target.com and others
- ✓ **Quick Turnaround Analyses:** Take advantage of readily available analyses to help you identify opportunity and move fast.
- ✓ **Custom Scope Projects:** Talk with experts about solutions that meet your specific objectives and offer actionable takeaways.
- ✓ **Ongoing Enablement:** Seek continued strategic guidance from experts so you can keep an edge.

The Bottom Line

This too shall pass...but marketers need to adapt



Be Human

We're in this together, after all



Be Honest

Be transparent about your challenges and your ability to meet customer needs



Be Present

Don't disappear!
Brands that acknowledge their participation in this crisis are seen empathetically



Be Innovative

Find new ways to connect with and support your customers

COVID-19 Resource Hub

Cross-channel industry insights
updated weekly

Channel-specific toolkits

Blog posts

Other resources

<https://kenshoo.com/covid-19-resources/>

**total
market
intelligence.
totally
intelligent
marketing.**

kenshoo



Thank you!

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