



The POI Canadian Summit

**Driving Profitable
Growth North!**



In Store, Online, Anywhere - The Time is Now for Connected Commerce!

A journey through the changes and implications to traditional retail in terms of price, promotion, basket sizes, frequency etc.

Jessica Armstrong
VPGM eCommerce, Maple Leaf Foods Inc.





Connected Commerce



**Accepting
change**

**Recognizing
what's changed
and what's
changing**

**Amazon's role
in this change**



The
old path

A

B

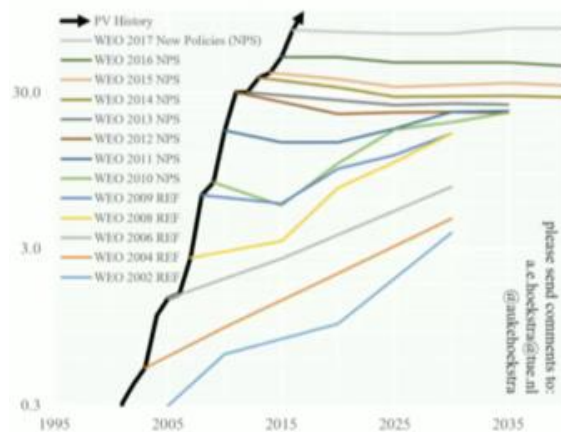




Facing reality & embracing change



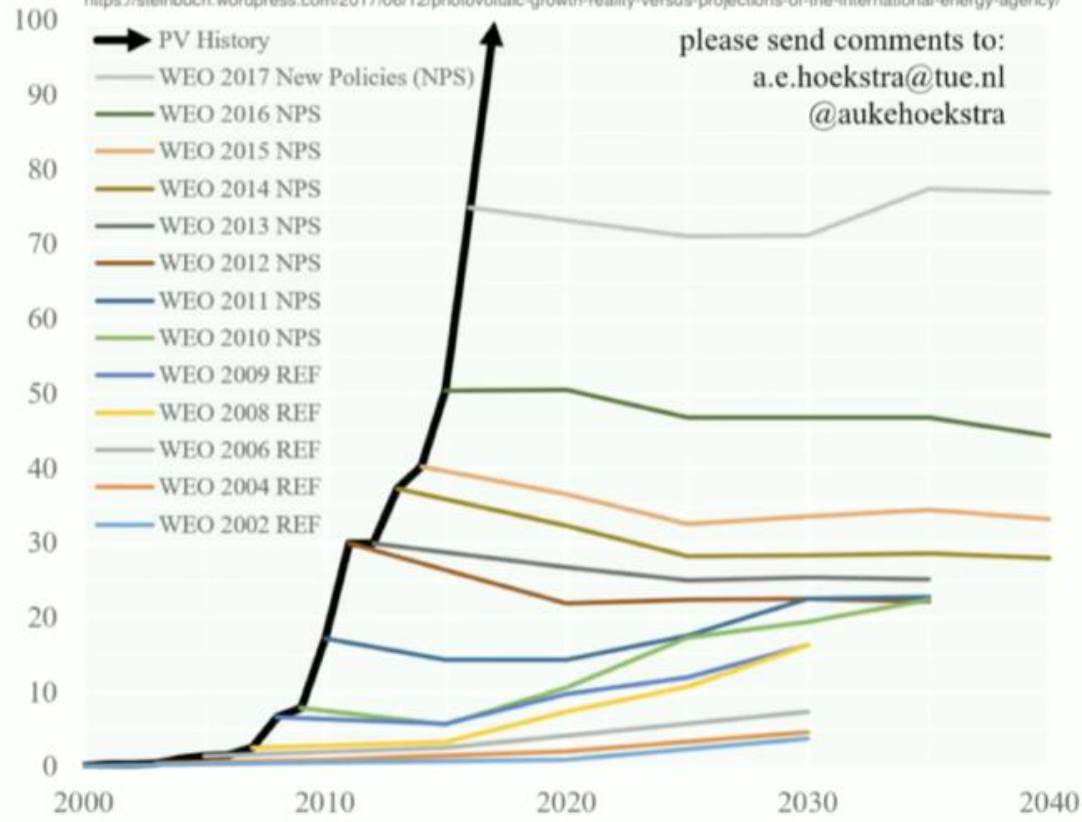
Annual PV additions: historic data vs IEA WEO predictions
In GW of added capacity per year - source International Energy Agency - World Energy Outlook



Annual PV additions: historic data vs IEA WEO predictions

In GW of added capacity per year - source International Energy Agency - World Energy Outlook

<https://steinbuch.wordpress.com/2017/06/12/photovoltaic-growth-reality-versus-projections-of-the-international-energy-agency/>



Linear is unlikely

Amazon to cut Whole Foods prices, including in Canada, on Monday
By David Sheppard and Lisa Boettstein Reuters



CBCnews | Business

Grocery business ripe for disruption by Amazon, analysts say

Will Amazon change where — and how — Canadians shop for groceries?
By Jacqueline Hennes, CBC News Posted: Sep 01, 2017 5:00 AM ET | Last Updated: Sep 01, 2017 5:00 AM ET

Report: Traditional supermarkets will decrease by 25% over the next few years

AUTHOR
Jeff Wells
@JEFFWELLS04

PUBLISHED
Aug. 28, 2017

Dive Brief:

- The number of traditional supermarkets in the U.S. will decrease 24.6% by 2021, according to a recent report from Inmar Willard Bishop Analytics cited by Store Brands. But super warehouse formats, limited assortment and fresh-focused stores will see double-digit growth.

BUSINESS

Walmart Canada Makes Grocery Pickup Service Free

The retail giant is upping its game in the fight against Amazon.

© 08/01/2017 10:02 EDT | Updated 08/01/2017 10:02 EDT

Metro battles rising competition and minimum wage increases with e-commerce push

Already struggling with falling food prices, the grocery industry faces 'significant pressure' from Ontario's proposed wage hike



Grocery is driving e-commerce success at Walmart

CNBC
HOME U.S. NEWS MARKETS INVESTING TECH MAKE IT VIDEO SHOWS

RETAIL

CONSUMER RETAIL AUTOS FOOD AND BEVERAGE RESTAURANTS FASHION

Online grocery sales set to surge, grabbing 20 percent of market by 2025

Marketing Land

Survey: More consumers seeking to buy directly from brands vs. retailers

Survey of 1,000 US adults contains lots of findings and implied recommendations for both brands and traditional retailers.

Greg Sterling on August 30, 2017 at 4:14 pm

BNN NEWS MARKETS VIDEO SHOWS TV MARKET CALL

COMPANY NEWS International

Aug 21, 2017

Wal-Mart expands grocery service with Uber to 2 more U.S. markets

thestar.com

Business Tech News

Amazon officially takes over Whole Foods, cuts grocery prices

The e-commerce giant kicked off its first day as Whole Foods owner by adding Amazon Echo displays, putting its logo on signs and more.

By JOSEPH PISANI The Associated Press
Mon., Aug. 28, 2017

PG

ONLINE GROCERY GROWTH ACCELERATING



Online Grocery Growth Accelerating

By Jim Dudleek - 09/01/2017

It should come as no surprise that e-commerce is becoming an important contributor to supermarket sales, but a new study has the numbers to prove it.

Online grocery purchases average 3.4 percent of total store sales for supermarkets



amazon jobs

Brand Manager - Grocery
Job ID: 536579 | Amazon Corporate LLC

Walmart Canada

21 AUG 2017

Field Manager - Online Grocery
Mississauga/Ontario

Loblaws DIGITAL

Senior Manager, E-commerce Trading - Grocery

"If any industry is ripe for disruption by online shopping, it should be the grocery business."

- Dan Mitchell, Fortune







FEAR OF MISSING OUT



it's
never
too
late!

it's
never
too
late!
... or is it?

Acknowledging but no action

Acting with pace



The stats

Digitalization - Rapid technological advances facilitate more complex shopping

Products Born Digital



Dependence on digital platforms and smart tools is growing as they fulfil expanding roles in consumers' lives



31%

of consumers find interactive packaging (e.g. using smartphone) an essential or exciting packaging feature.



25% of global consumers use **digital tools** to monitor or manage food/drink consumption – a further **35%** would consider using them in future



79% of consumers say they check prices online before making a purchase



55% of consumers say they are more likely to trust blogger/user reviews over brand claims

Savvy consumers are making more informed and discerning purchasing decisions using digital platforms and tools

Informed Shopping





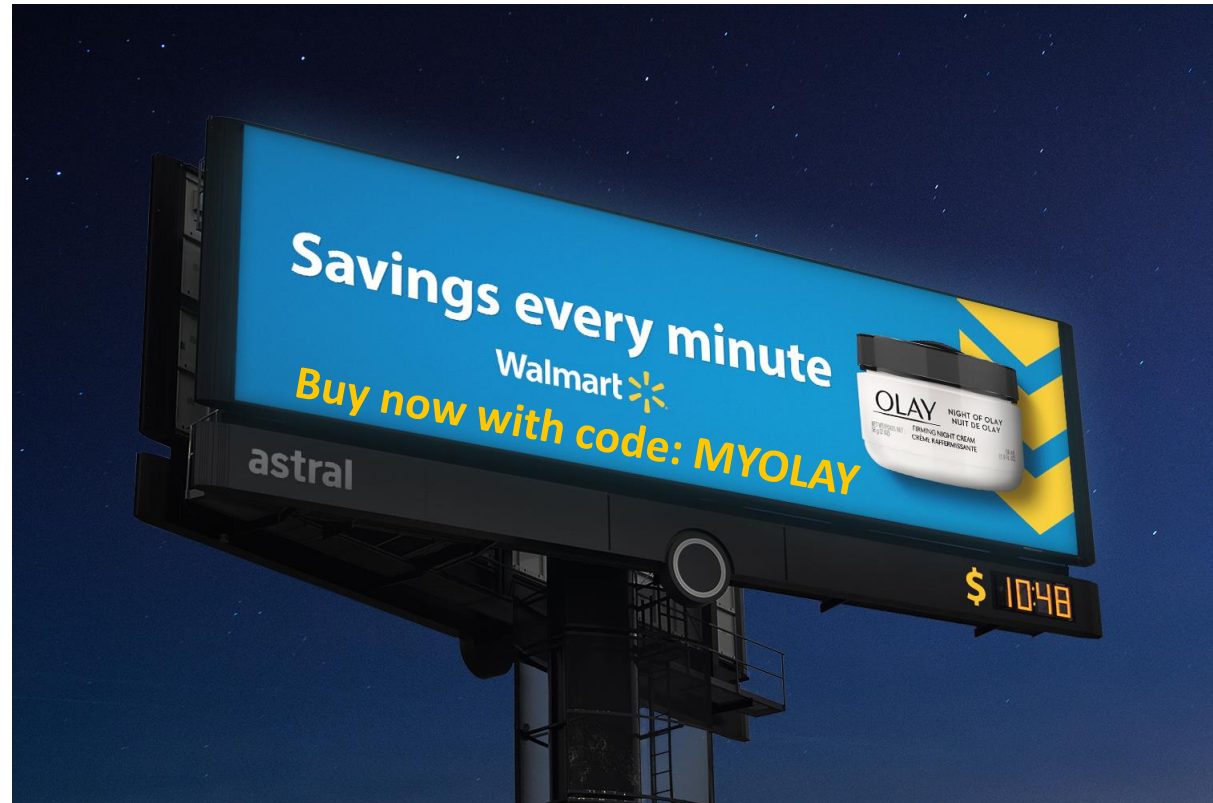
Can't leave home without...



... is already looking different.







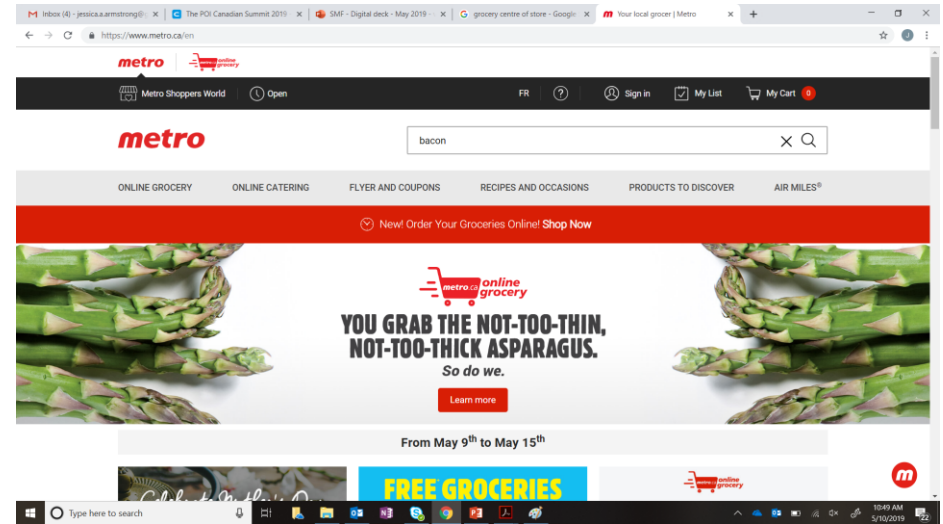
Before



Before



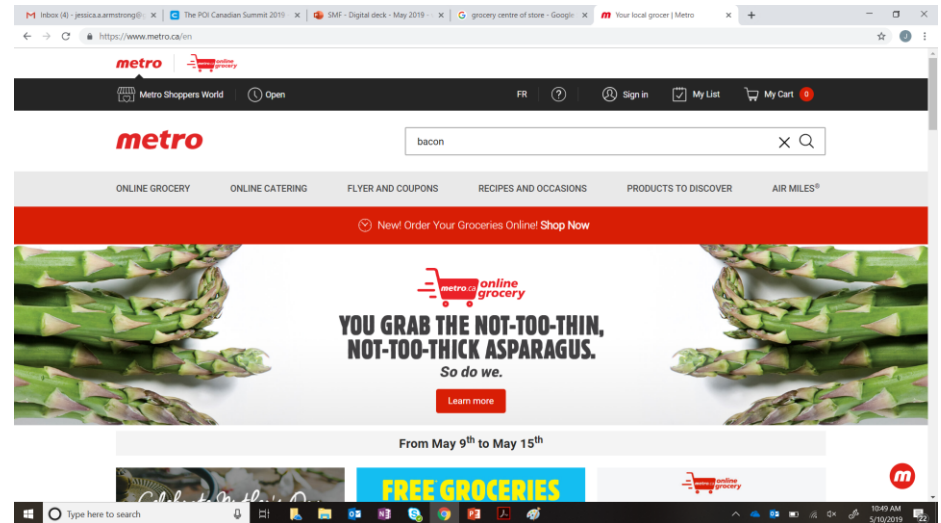
Now



Before

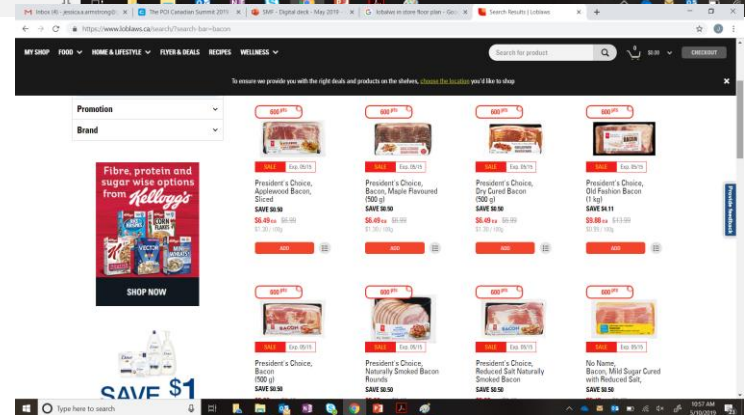
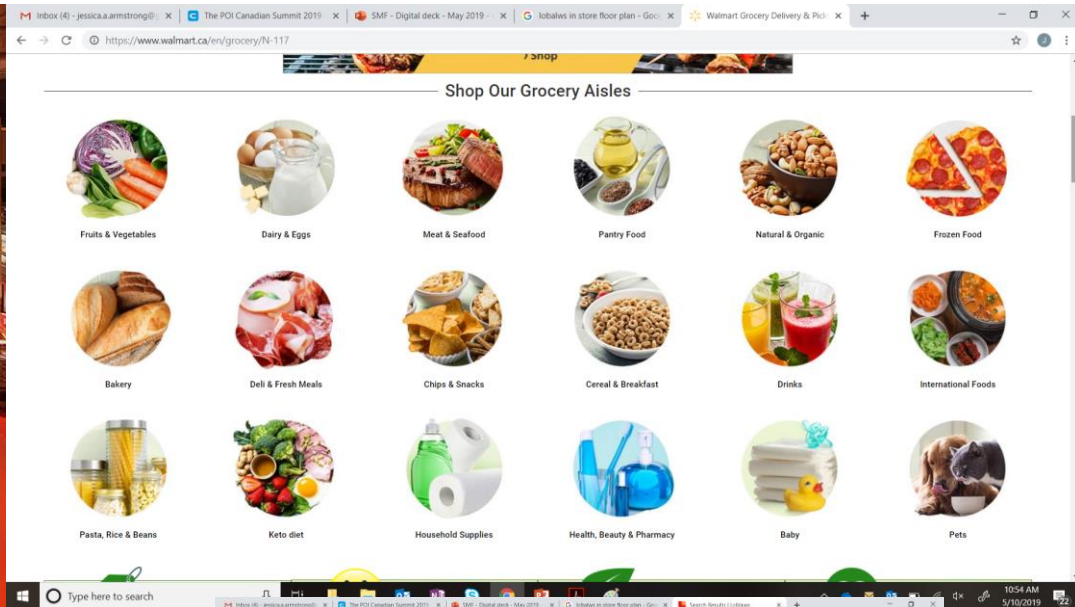
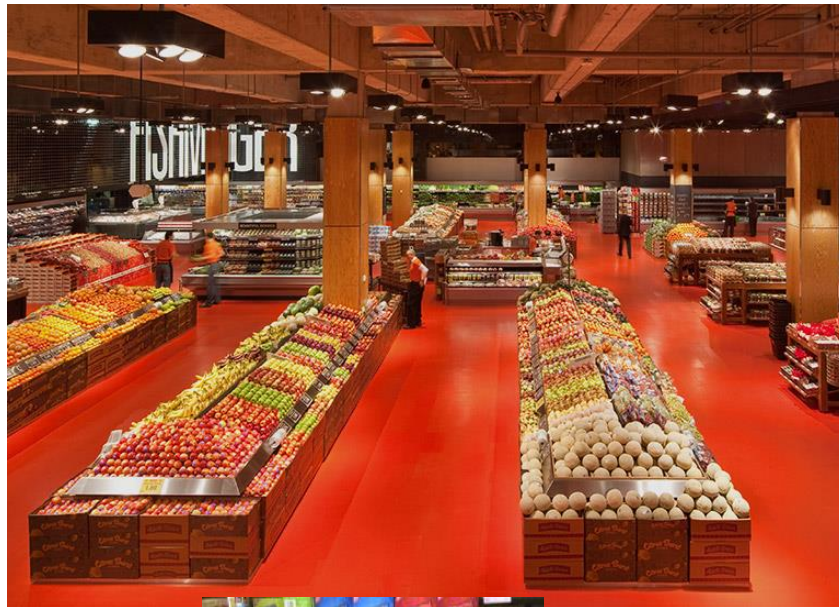


Now



Who's in control now?

Who's in control now?



The store is always open.

The planogram resets almost every second.

**The store is now
experiential (in store) &
a media channel (online).**



Price transparency



samsung 4k nu6900 55" tv



All

Shopping

Images

Videos

News

More

Settings

Tools

About 136,000 results (0.56 seconds)

See samsung 4k nu6900 55" tv

Sponsored ⓘ



Samsung 55" 4K
UHD HDR LED...

\$599.99

Best Buy Canada

Free delivery



55" NU6900 Smart
4K UHD TV

\$599.98

Samsung Cana...

★★★★★ (9k+)



Samsung Nu6900
Class 4K Ultra Hd...

\$698.00

Walmart.ca



In store

Sharp 4K Ultra HD
Smart TV, 55-in

\$469.99

Canadian Tire



Samsu
UN50N

\$699.99

Amazon

Free de



The EDLP war



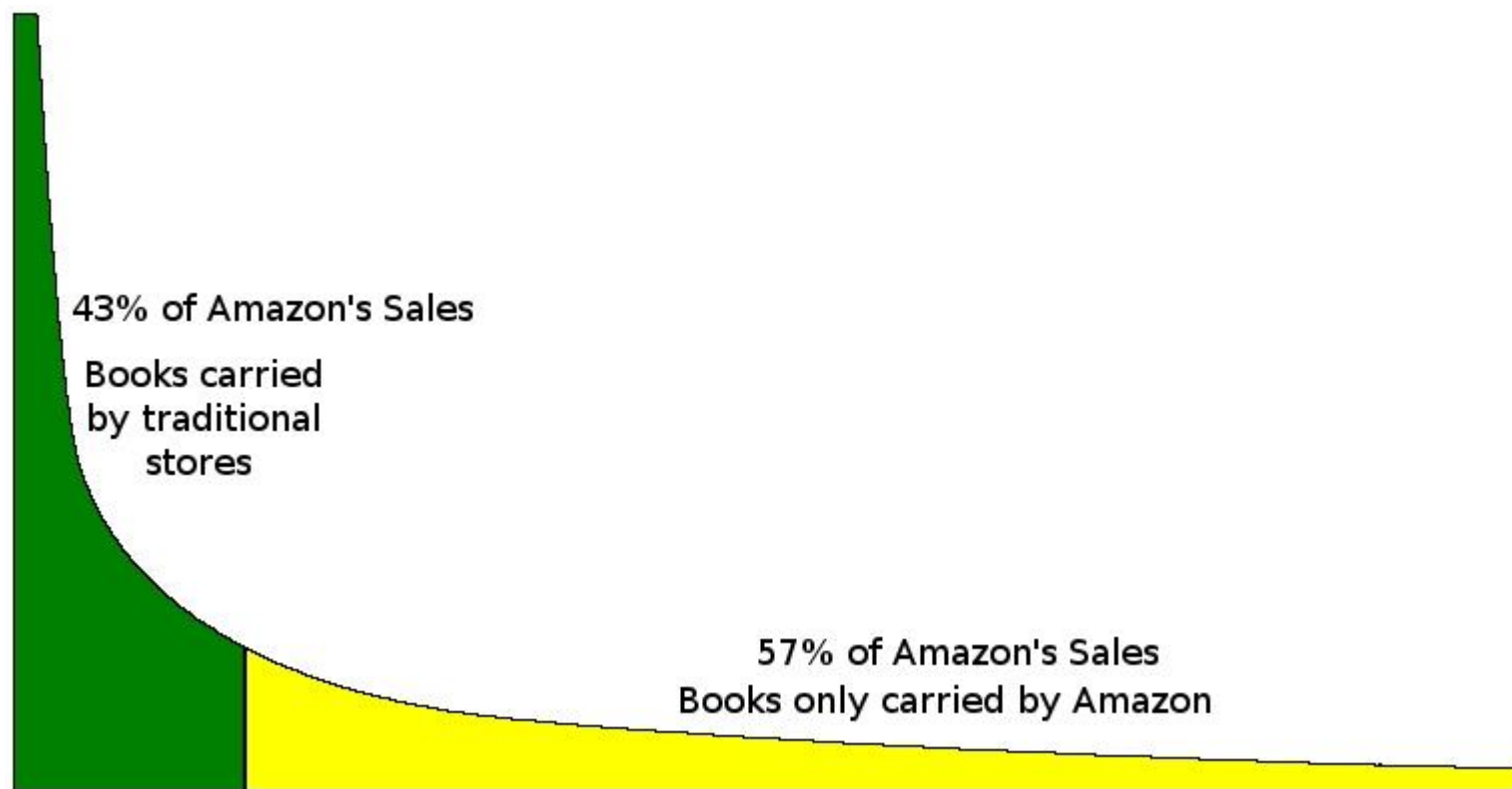
There's only 1 winner



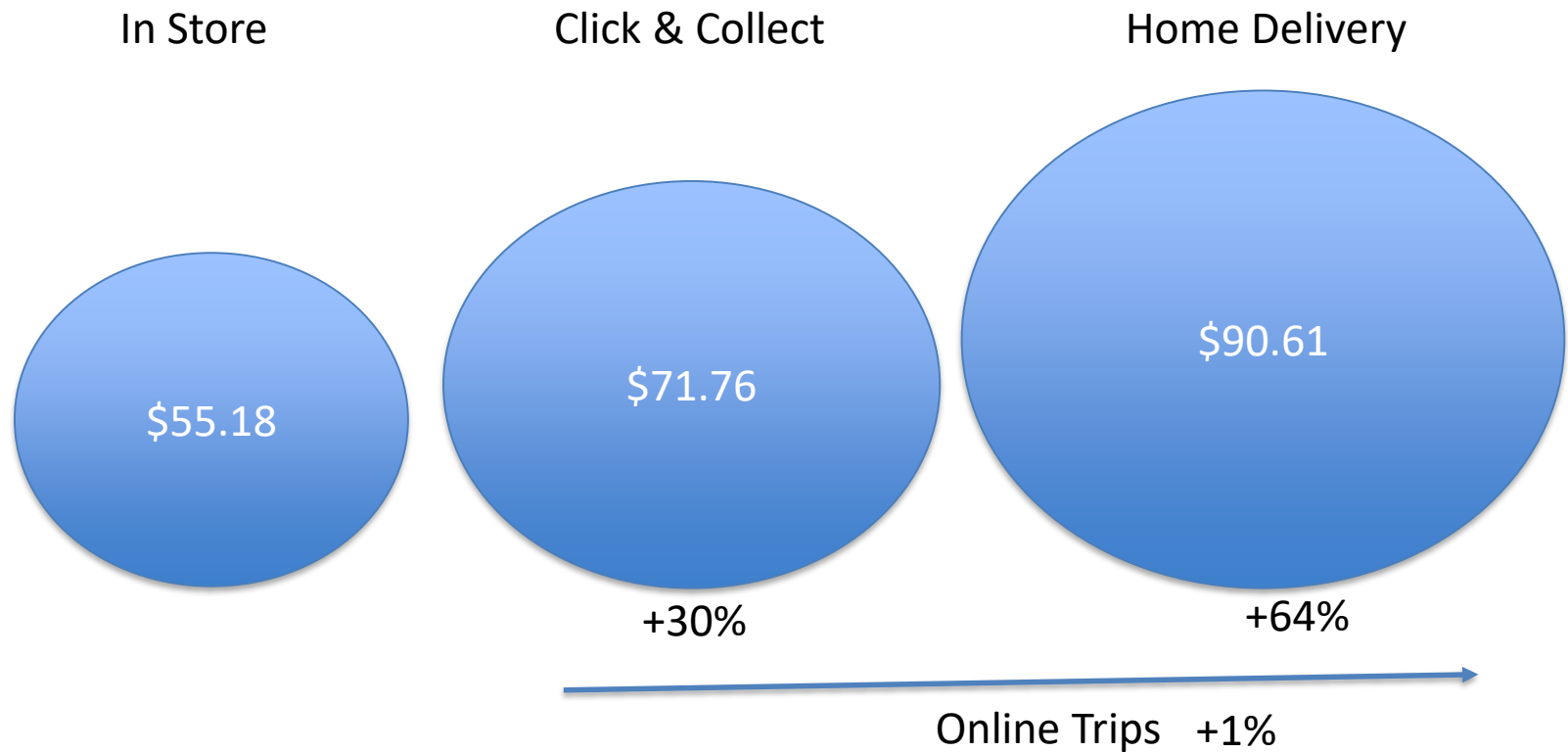
The endless aisle



Longtail brands



Grocery Basket Size & Frequency



Source: SKULocal, How Online Grocery Has Impacted Basket Size and Frequency Among Shoppers (Feb 2019)

Packaging Implications

Frustration-Free Packaging

-  Easy to Open
Unwrapping time: 42 sec.
-  100% Recyclable & Less Packaging Waste
-  Protective Packaging
Lab tested packaging design

Traditional Packaging

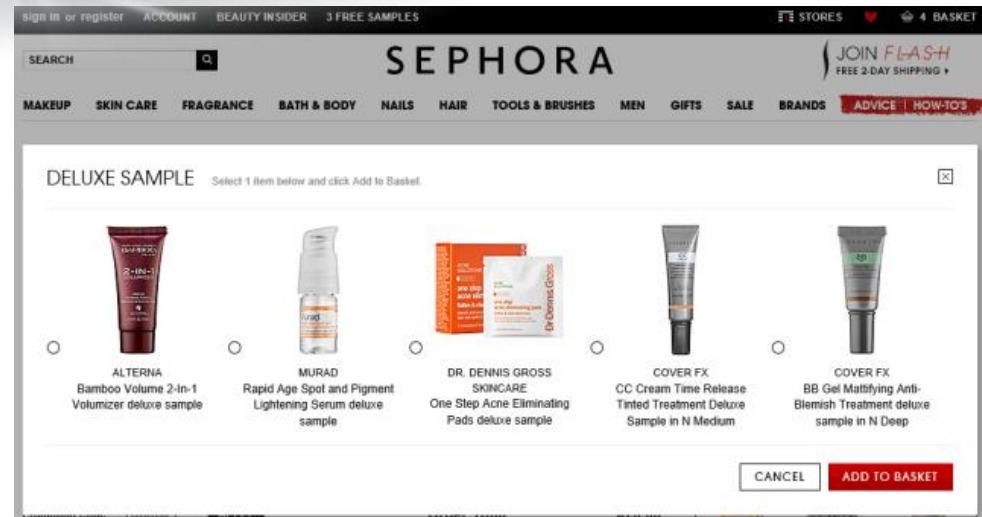
-  Difficult to Open
Unwrapping time: 11 min
-  Not Fully Recyclable & More Packaging Waste
-  Standard Packaging
Not designed for e-commerce



Fulfillment & Last Mile



**Free
Delivery
Offer**



The Shelf (outside the store)

20%
of all clicks are
on paid search ads
(SEM)

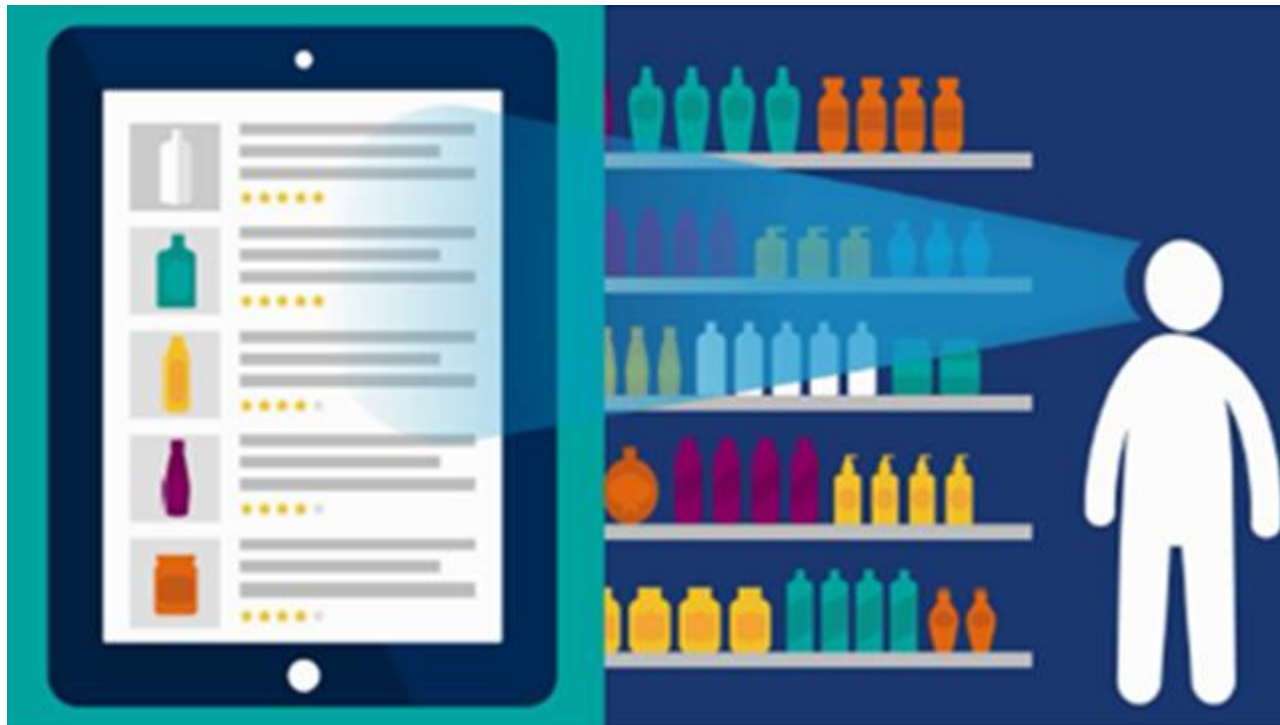
80%
of all clicks are
on organic search
listings
(SEO)

The screenshot shows a Google search for "degree men's dry spray". The results are categorized as follows:

- Ad:** New Degree® Men Dry Spray - DegreeDeodorant.com
- eCom Ad:** Degree Men Dry Spray - Target
- Brand.com Organic:** Men's Dry Spray Deodorant - Adventure | Degree
- Organic eCom:** Degree Men Dry Spray Antiperspirant, Adventure 3.8 oz
- Organic eCom:** Degree Men Dry Spray Antiperspirant Adventure | Walgreens
- Organic YouTube:** Degree Men Dry Spray - 30 Sec Commercial - YouTube
- Organic eCom:** Try New Dry Sprays - Walmart.com
- eCom Ad:** Degree Dry Spray - Amazon
- eCom Ad:** Men Degree Dry - 70% OFF - men-degree.slucuu.com
- eCom Ad:** Degree Mens Deodorant - Walgreens
- eCom Ad:** Men Degree Dry - men-degree-dry.gratefugoods.com
- eCom Ad:** Degree Men on eBay

eCommerce content can influence search share of voice and retailer traffic

The Shelf



A brand that doesn't appear at the top of search results is on the bottom shelf.

Understanding the impact of search at retail will raise brand placement.

The Shelf



80% of clicks are on the first page of search results. If you are not on page 1, **you are INVISIBLE online**





As a consumer and prime member



As a vendor ...



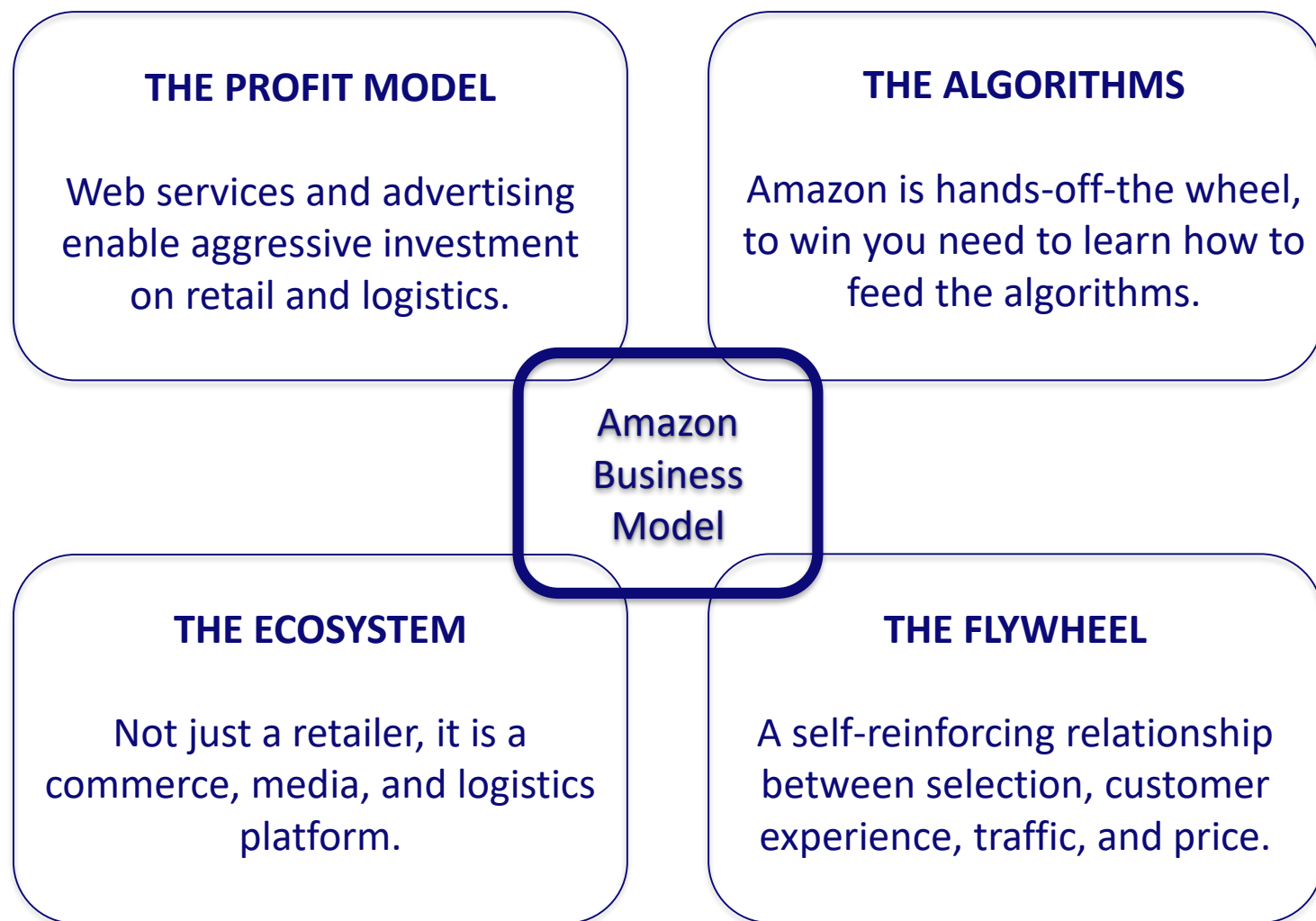
Amazon is not (just) a customer.

- It's a digital ecosystem.
- A connection point with 850M people around the world.
- A capability to deliver products in 50 cities in an hour.

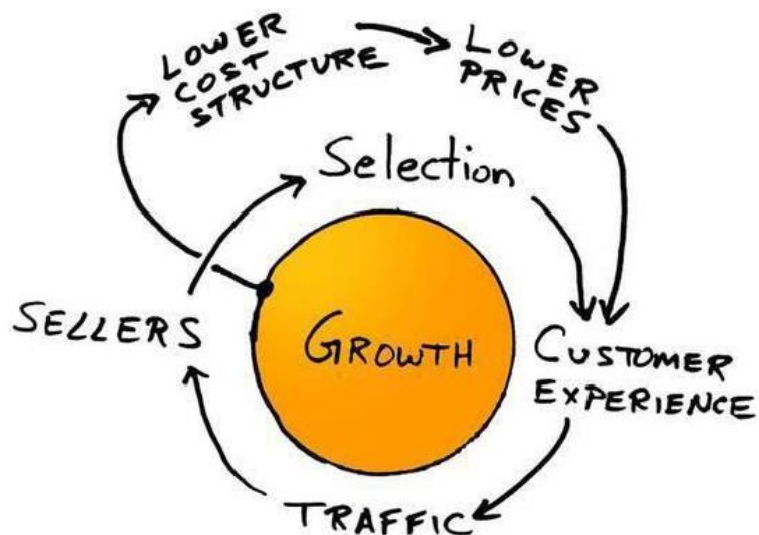
Media partner. Supply chain powerhouse. Retail disruptor.
Data leader. AI developer. Web service provider.

... and more.





The Flywheel



Selection → Do we have the right **PORTFOLIO**?

CUSTOMER EXPERIENCE → Do we have the right **CONTENT**?

TRAFFIC → Do we have a **CREATE DEMAND PLAN** in place?

SELLERS → What is the best **ROUTE TO MARKET**?

How does Amazon manage this HUGE ecosystem?



Amazon Buyer - Robot vs relationship




Just wanted to check
in and see how not
answering my
calls is going.



som^{ee}cards

- Amazon has been transitioning to a more cost effective self-service vendor model.
- Expects brands to take direct ownership.
- Amazon views any direct human contact their employees have with merchants, vendors, and customers as ERROS that need to be resolved.

Overview of models relevant to CPG:

 amazon.com BULK BUYING	 prime pantry BASKET BUILDING	 amazonfresh SAME-DAY GROCERY DELIVERY	 prime now 1-2 HOUR DELIVERY	 fresh pickup SUB 1-HOUR	 amazon go JUST WALK OUT
<p>Everyday purchases & one-time buys</p> <p>Subscribe & Save</p> <p>12 million daily visitors</p> <p>National distribution</p>	<p>Prime members only</p> <p>Build a basket</p> <p>\$5.99 box fee</p> <p>Curated Selection</p> <p>National distribution</p>	<p>Prime members only</p> <p>Full-line grocery</p> <p>Leading local selection</p> <p>\$14.99 monthly subscription</p> <p>East & West Coast, Chicago, Dallas, Atlanta, Miami, Denver</p>	<p>Prime members only</p> <p>Shelf-stable and perishables items</p> <p>\$35 minimum order</p> <p>38+ metro areas</p>	<p>Product to customer in as little as 15 mins</p> <p>Curated full-line grocery</p> <p>Select metropolitan areas</p>	<p>Curated immediate consumption, convenience and grocery selection</p> <p>Seattle</p>
<p>Higher Average Selling Price</p> <p>Greater inventory to customer distance</p> <p>Slower delivery speed</p> <p>Smaller share of wallet</p>			<p>Lower Average Selling Price</p> <p>More inventory closer to customer</p> <p>Faster delivery</p> <p>Increased share of wallet</p>		

SELL IN

PRIMARY INPUTS:

1. Glance views (traffic)
2. Past sales velocity & volume
3. Promotional activity

These variables determine the “probability band” that an item gets, which indicates the likelihood of how close to forecast they will order.

OTHER VARIABLES:

- Availability from suppliers at a better price
- Vendor-Lead-Time-To-Deliver
- Profitability of the item

WATCH-OUTS:

- Newly listed items / innovations
- Seasonal items
- Non-price promoted items

Amazon Retail Analytics Basic

Sales and Inventory Dashboard

Shipped COGS



Inventory Graph



Time period	Shipped COGS	Units shipped	Sellable on hand cost	Units at Amazon	Net units received
Year-to-date	\$6,629,628.20	446,806	\$1,267,317.26	78,546	507,526
	24.94%	6.81%	218.72%	130.03%	25.90%
Quarter-to-date	\$2,224,400.09	144,098	\$1,267,317.26	78,546	165,844
	33.12%	17.90%	218.72%	130.03%	42.85%
Month-to-date	\$459,113.55	34,123	\$1,267,317.26	78,546	21,243
	6.93%	7.77%	218.72%	130.03%	7.72%
Week-to-date	\$82,467.81	6,068	\$1,267,317.26	78,546	7,674
	12.43%	1.78%	218.72%	130.03%	1.78%

SELL OUT

PRIMARY INPUTS:

1. Name, Description, Bullets & Hidden Keywords
2. CTR & purchase conversion
3. Sales rank for a given keyword
4. Review rating, volume, & recency
5. eCom packaging, return rate



WHAT TO DO:

- Identify priority keywords (category & branded)
- Experiment with keywords & placement
- Leverage Vine Reviews
- Drive traffic with paid search ads & conversion with coupons/deals

Amazon Search



Amazon Search

Highest
Impact



Title
*Including where
'product type' appears.*

Bullets
Descriptions
Hidden Keywords
Attributes

A+ Content
(Less impact)

Amazon Profitability



- Amazon will match high-low retailers, creating a low-low environment
- Amazon does not care about slope, and wants to be competitive with Club
- 3P can get product from clearance, remnant, high-low, and dirty channels to erode price
- Competing retailers know this dynamic and will start price-wars that put pressure on vendors

Can't Realize A Profit



Amazon Profitability

Selling Price



\$7.99



\$7.29



\$6.99



\$6.20



\$5.60

ALL OK

On site as normal

**Promos
Limited**

Cant promote via paid search – receive emails saying
“does not meet profitability threshold”

**Exclusive
for Prime**

Only Prime members can buy the product – adds
“Exclusive for Prime” tag

**Index
Suppression**

Removes product from search – can't find product via
Amazon search or Google

“C.R.A.P.”*

Removed from site entirely and purchase-orders turned
off unless Vendor provides funding on the SKU

*Amazon Vocabulary: Cannot Realize A Profit

Value Density

HIGH VALUE DENSITY
Fulfillment = 0.1% of COGS

\$705/kg



AMZ'S P&L	\$	% of COGS
Avg. Selling Price	\$10,000.00	
- Cost of Goods	(\$8,500.00)	
+ TTS/ATL	\$0.00	0%
Profit pre-Fulfillment	\$1,500.00	18%
- Pick, Pack & Ship	(\$7.00)	0.1%
Gross Profit	\$1,493.00	

LOW VALUE DENSITY
Fulfillment = 51% of COGS

\$4.71/kg



AMZ'S P&L	\$	% of COGS
Avg. Selling Price	\$16.00	
- Cost of Goods	(\$13.60)	
+ TTS/ATL	\$2.40	18%
Profit pre-Fulfillment	\$4.80	35%
- Pick, Pack & Ship	(\$7.00)	51%
Gross Profit	(\$2.20)	

Average selling price / item weight

Site Merch/Media

amazon.co.uk **prime** **Prime Day Deals start 16 July**

Amazon.co.uk Today's Deals Warehouse Deals Outlet Subscribe & Save Vouchers Amazon Family Amazon Prime Amazon Pantry Prime Video Prime Student Mobile Apps Amazon Pickup Locations Amazon Assistant

1-16 of 593 results for "insect repellent patches"

Sort by **Relevance**

Show results for

Amazon Fresh

Sports & Outdoors
Insect Repellent
Health & Personal Care
Insect & Pest Repellents
Numbing & Pain Treatments

Garden & Outdoors
Mosquito Control
Indoor Insect Control
Outdoor Insect Control
Nugs & Seal Control

Baby Products
Mosquito Protection
Numbing Creams
Baby Wipes & Wipes
Labels & Stickers

Stationery & Office Supplies
Labels & Stickers
See All 13 Departments

Refine by

Subscription Option **Subscribe & Save**

Delivery Option
☒ prime ☐ Same Day

Delivery Day
☒ Arrive Today

Brand
☐ Vio Patch
☐ Mosquito
☐ Mosquito Nets 4 U
☐ TravPack
☐ Don't Bite Me Patch
☐ Simply Gossamer
☐ T'Save
☐ Vio Healthcare
☐ Vaseline
☐ Tiger Balm
☐ Mias
☐ Mosquito Patch
☐ Natural Patches
☐ COSY WORLD
☐ romanyan

Colour
☒ Green
☐ Blue
☐ Yellow
☐ Red
☐ Black
☐ White
☐ Silver
☐ Gold
☐ Pink
☐ Purple
☐ Brown
☐ Grey
☐ Orange
☐ Teal
☐ Light Blue
☐ Dark Blue
☐ Light Green
☐ Dark Green
☐ Light Yellow
☐ Dark Yellow
☐ Light Red
☐ Dark Red
☐ Light Purple
☐ Dark Purple
☐ Light Brown
☐ Dark Brown
☐ Light Grey
☐ Dark Grey

Customer Review
☒ 4 & Up
☐ 3 & Up
☐ 2 & Up
☐ 1 & Up

Paid search ad

Paid search ad

Amazon's Choice

Promotion

Merchandising
(Bonus points)

Subscribe
& Save

Ratings &
Reviews

Managing the funnel

Awareness

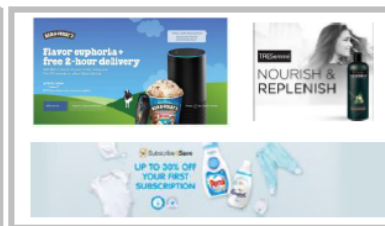
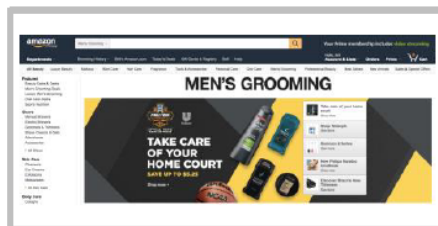
Consideration

Purchase
Intent

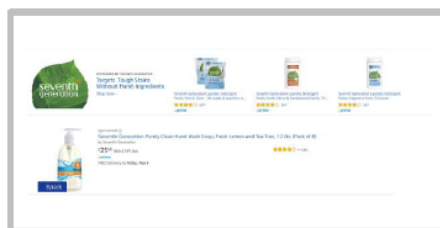
Purchase
Experience

Purchase

Loyalty



Amazon Retail vs.
AMG Placements



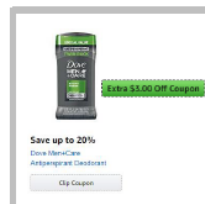
AMS Search Advertising

★★★★★ 300

Product Features

Laundry detergent that cleans, lifts off stains and brightens

Ratings & Reviews



✓ Voucher Collected

Save an additional £0.36 at checkout. This discount applies to **one eligible item** at checkout.

Retail Promotions
(Coupons & Discounts)



Subscribe & Save

★★★★★ 300

Product Features

Laundry detergent that cleans, lifts off stains and brightens

Subscribe & Save + R&R

Who pays?

Vine Reviews



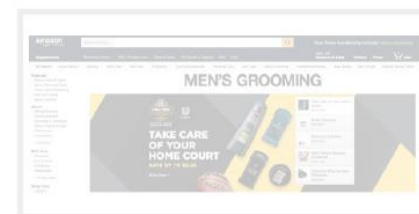
Promotions



Subscribe & Save



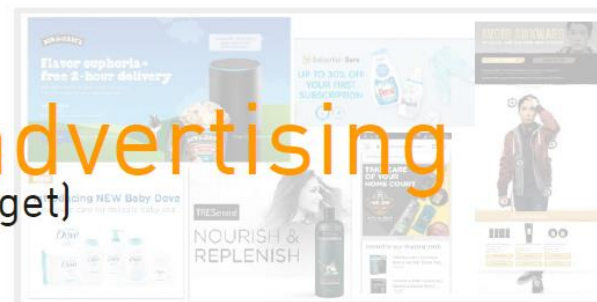
Merchandising



Paid Search (AMS)



Display/Programmatic (AMG)



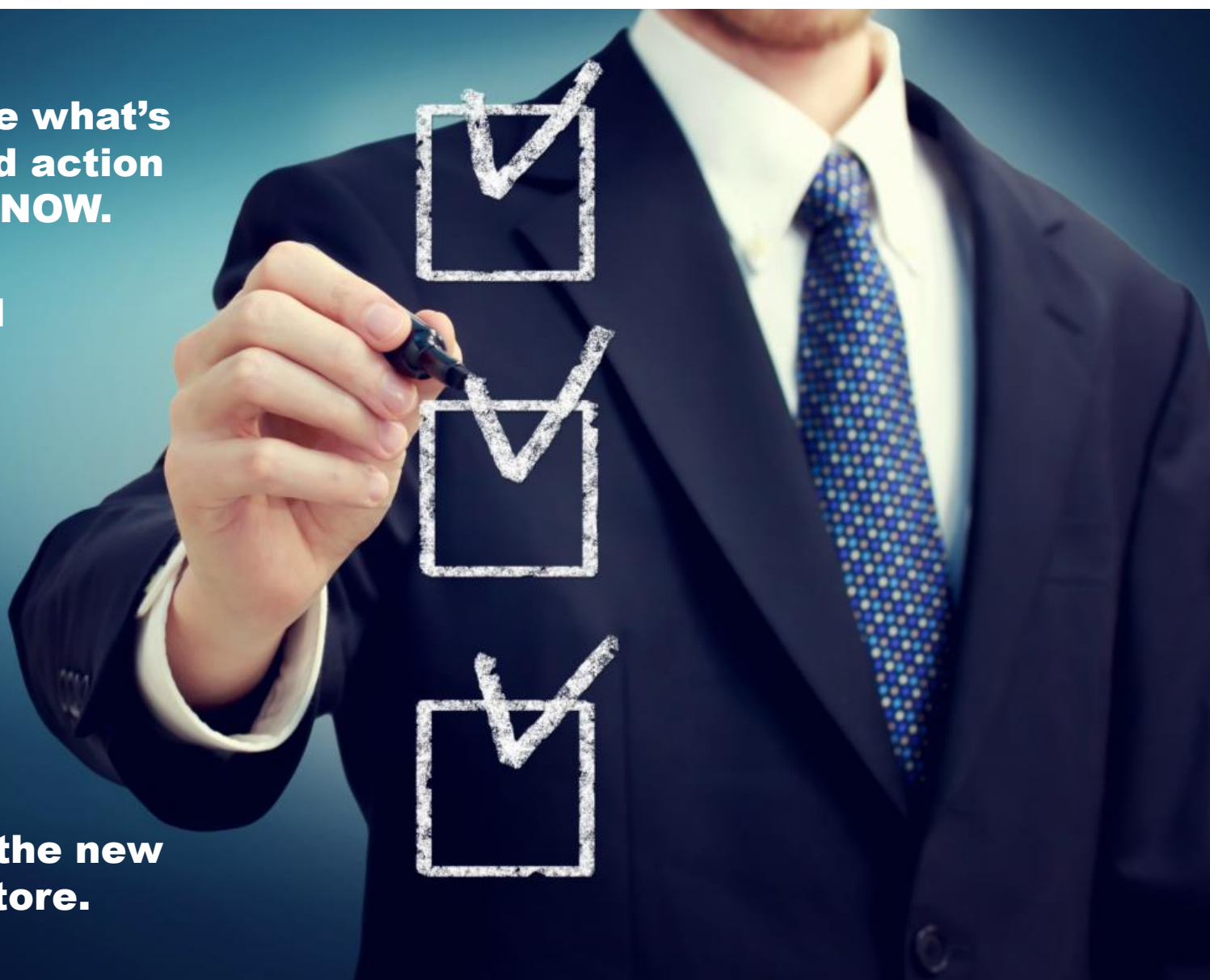
**Acknowledge what's
changing and action
against it ... NOW.**

**Invest ahead
of ROI.**

**Focus on
SEARCH.**

**Build an
ecom ready
portfolio.**

**Understand the new
role of the store.**



Thank You

@ecommjess

Jessica.Armstrong@mapleleaf.com