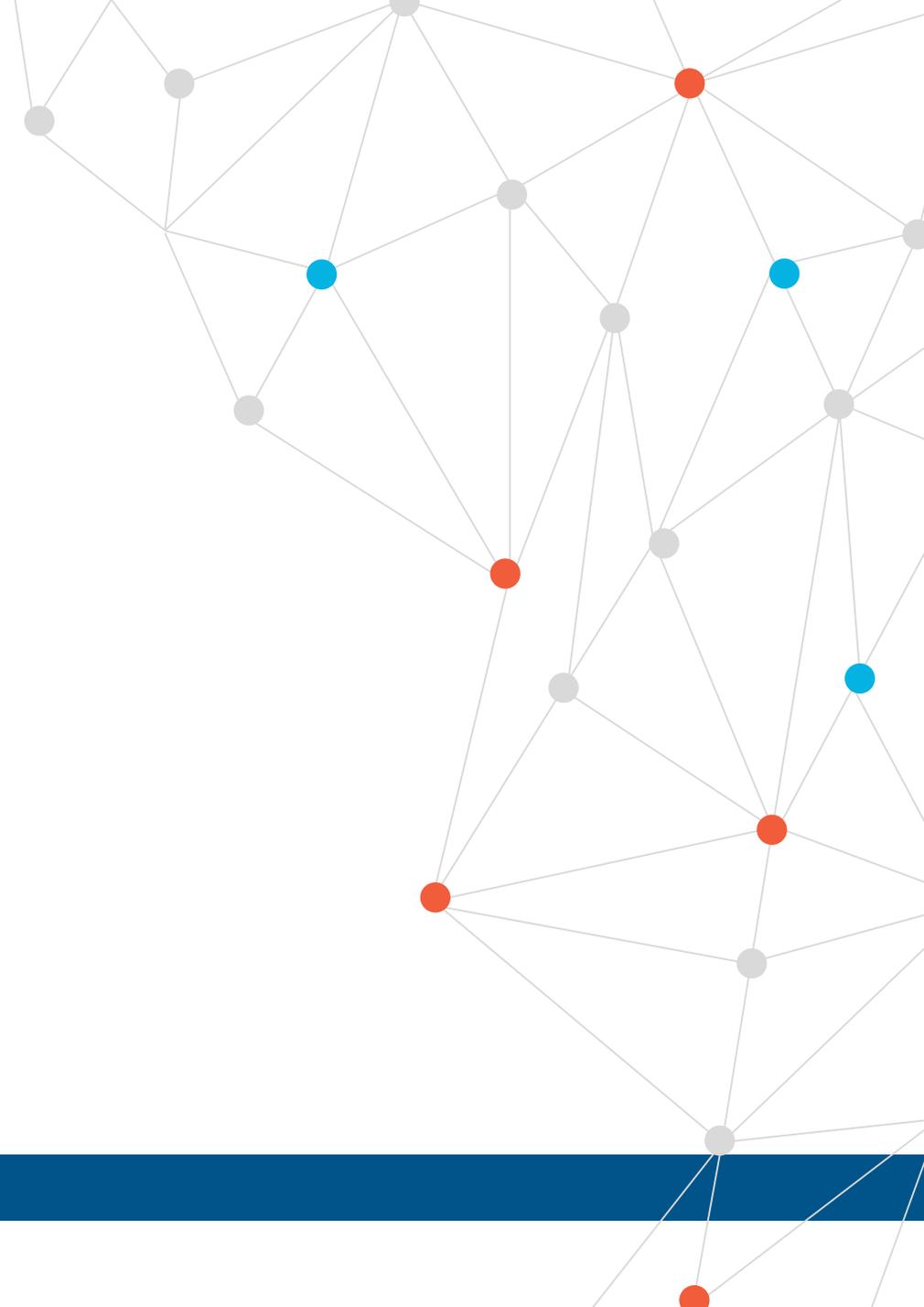


ORGANIZATIONAL STRUCTURE

benchmarking data to help identify what
good looks like for eCommerce teams

June 21, 2018





WHILE AMAZON HAS BEEN IN BUSINESS SINCE THE MID-90'S, THE RETAIL INDUSTRY IS ONLY IN THE FIRST INNING OF WHAT WILL BE A DRAMATIC CHANGE IN HOW TECHNOLOGY ENABLES CONSUMERS TO RESEARCH AND PURCHASE PRODUCTS. BRANDS THAT WILL BE RELEVANT JUST THREE YEARS FROM NOW WILL BE THE ONES THAT PUT ECOMMERCE AT THE CORE OF THEIR STRATEGY. **WHILE THERE ARE A MILLION DETAILS AND TACTICS TO CONSIDER IN SUCH A STRATEGY, AT THE CORE OF IT ALL RESIDES THE TEAM THAT IS RESPONSIBLE FOR DEVELOPING AND EXECUTING AN ECOMMERCE STRATEGY THAT IS BOTH FAST GROWING AND PROFITABLE.**

TO HELP BRANDS DEVELOP THE RIGHT ECOMMERCE TEAM, WE INTERVIEWED LEADING SUPPLIERS, HOSTED ECOMMERCE ROUNDTABLES, AND EXECUTED A BENCHMARK OF 140+ COMPANIES. THE FOLLOWING REPORT LAYS OUT THE BEST PRACTICES WE DISCOVERED IN ADDITION TO GIVING BRANDS DIRECTIONAL GUIDANCE ON KEY ISSUES LIKE TEAM SIZE, REPORTING STRUCTURE, WHAT FUNCTIONS THEY OUTSOURCE, AND HOW TEAMS ARE WORKING TOGETHER.

ALL DATA HAS LIMITATIONS AND ECOMMERCE TEAM RESEARCH IS PARTICULARLY VULNERABLE TO BROAD-SWEEPING CONCLUSIONS. HOWEVER, **ECOMMERCE PROFESSIONALS CAN USE THE DATA IN THIS REPORT TO BUILD CONVICTION IN THEIR CURRENT ORGANIZATIONAL STRUCTURE AND FUTURE STRATEGIC PLANS OR OFFER SUPPORT FOR COURSE CORRECTING ONTO A BETTER PATH THAT WILL ENABLE THE ORGANIZATION TO TAKE THE NEXT STEP TOWARDS A FASTER GROWING, MORE CONSUMER-RELEVANT FUTURE.**

IN ADDITION, WE RECOMMEND SHARING THIS REPORT WITH YOUR BOARD OF DIRECTORS, SENIOR LEADERSHIP, AND RETAIL AND DIGITAL ADVERTISING TEAMS TO HELP EDUCATE THEM ON BEST PRACTICES FOR INVESTING IN INTERNAL RESOURCES WHILE ALSO LEVERAGING EXTERNAL COMPANIES TO HELP EXECUTE STRATEGIES THAT ARE CORE TO AN EFFECTIVE ECOMMERCE FOUNDATION.





KEY TAKEAWAYS

eCOMMERCE LEADER IS A MUST

A majority of brands are structuring their teams with an experienced eCommerce professional as a leader who provides expertise, is an evangelist of digital business strategies, has a vision for how eCommerce fits into the overarching company strategy, and functions as a bridge for collaboration among key teams. This year, 83% of companies report having an eCommerce leader in place – a dramatically higher rate than just a few years ago.

COMMUNICATION IS BEST

Overall communication among omnichannel B&M and eCommerce account management and marketing teams needs more work according to our data. B&M account teams and the Amazon team continue to work in relative silos according to our data. On the positive side, teams managing AMS are meeting more frequently with their digital advertising counterparts, which is helping drive more optimal marketing investments.

eCOMMERCE AS CENTER OF EXCELLENCE

A majority of brands are building out specific eCommerce teams in their organizations with resources pooled together to improve efficiencies and share best practices. While many companies house individual omnichannel account leads outside the center of excellence (e.g. Walmart.com lead reports to Walmart lead), we are seeing much more of dotted line to the eCommerce organization in an effort to ensure dot.com is made a priority.

INVESTMENT IN DATA & CONTENT RESOURCES

Brands are prioritizing content and analytics roles in their organizations. These functions rose to the top in 2018 hiring plans, as most brands are only scratching the surface on analytical insights and there is growing momentum around the importance of eCommerce-optimized content.

UTILIZATION OF EXTERNAL RESOURCES

Too many brands try to do too much internally. Manual tasks like review monitoring, MAP monitoring, unauthorized seller monitoring are too often being done by internal resources that are already constrained. We see an opportunity for brands to increase their usage of external parties to gain efficiencies and capabilities more quickly and more robustly than what they can do on their own.

USE OF HYBRID AS A STRATEGIC TOOL

The vast majority of brands are either doing the hybrid model or exploring the hybrid model based on our research. An effective hybrid approach requires resources though, and on average, companies pursuing this path are typically investing in 1-2 additional teammates to help manage this business.

PATH TO PURCHASE

Our 2017 consumer study indicates that the convenience factor with eCommerce is real for customers. An increasing number of shoppers are moving online for discover, product research, and purchasing. This number keeps growing each year. The following metrics show that it has never been more important to build out robust eCommerce strategies and to invest in eCommerce teams and leadership.



BUYING ONLINE

72% made at least 1-2 purchases per month online in 2017 (vs. 70% in 2016)



BUYING ON PHONES

61% have purchased using their smartphone in 2017 (vs. 58% in 2016)



USING PHONES IN STORES

59% of shoppers use their mobile device at least sometimes when shopping in store in 2017 (vs. 53% 2016)



BUYING ON AMAZON

86% purchased on Amazon in 2017 (vs. 76% in 2016)



AMAZON TRAFFIC

65% visit Amazon most often when researching products in 2017 (vs. 63% in 2016)



LOOKING UP PRODUCTS

63% use search engines most often when researching products in 2017 (vs. 53% in 2016)

83%

of brands have dedicated eCommerce leaders*

80%

of brands have dedicated eCommerce teams*

Compared to prior years, both of these figures have increased dramatically as brands have found that to keep up with consumers today, eCommerce-focused resources are a necessity, which includes dedicated leadership and teams. We see a stark difference in companies that have brought on an experienced eCommerce leader, as they tend to invest in the right programs and build a foundation for success.

KEY TRAITS OF SUCCESSFUL eCOMMERCE LEADERS



THE VISIONARY

Developing the eCommerce strategy across accounts and within the context of the company's broader retail strategy is critical. Visionaries can help identify changes coming to the industry and company more quickly and thus improve strategy and business outcomes.

THE EVANGELIST

A successful eCommerce leader acts as the key evangelist for eCommerce considering the inertia in some organizations around evolving with market changes in retail. Beyond thinking about growing a bit faster with a successful eCommerce business, the evangelist can help articulate why the brand needs eCommerce to stay relevant three years from now and stay in business five years from now.

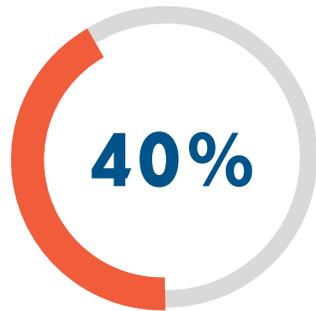
THE BRIDGE

The multifaceted nature of eCommerce requires teamwork and communication across the organization, including sales, marketing, product development and logistics to name a few. The eCommerce leader must be a true team player that helps foster this type of environment.

THE EXPERT

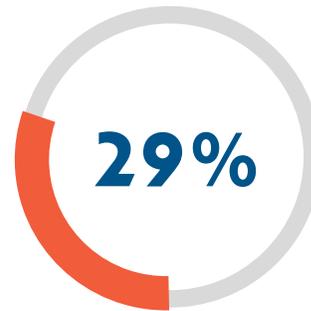
We have seen a meaningful difference in performance in companies that brought in experienced eCommerce leaders compared to those companies that take a "learn as you go" approach. It is not enough to be well versed in a given category; eCommerce experience is essential for a firm to succeed online.

AREAS eCOMMERCE FUNCTIONS REPORT INTO



SALES

40% of brands house eCommerce teams under Sales as eCommerce impacts both the top and bottom lines for organizations. Effectively managing retail accounts is a critical element of success.



LEADERSHIP

29% of brands house eCommerce teams under Leadership. This can be a particularly effective reporting structure as this tends to drive leadership buy-in. Typically, eCommerce teams are able to get more investment for their strategic priorities in this reporting structure.



MARKETING

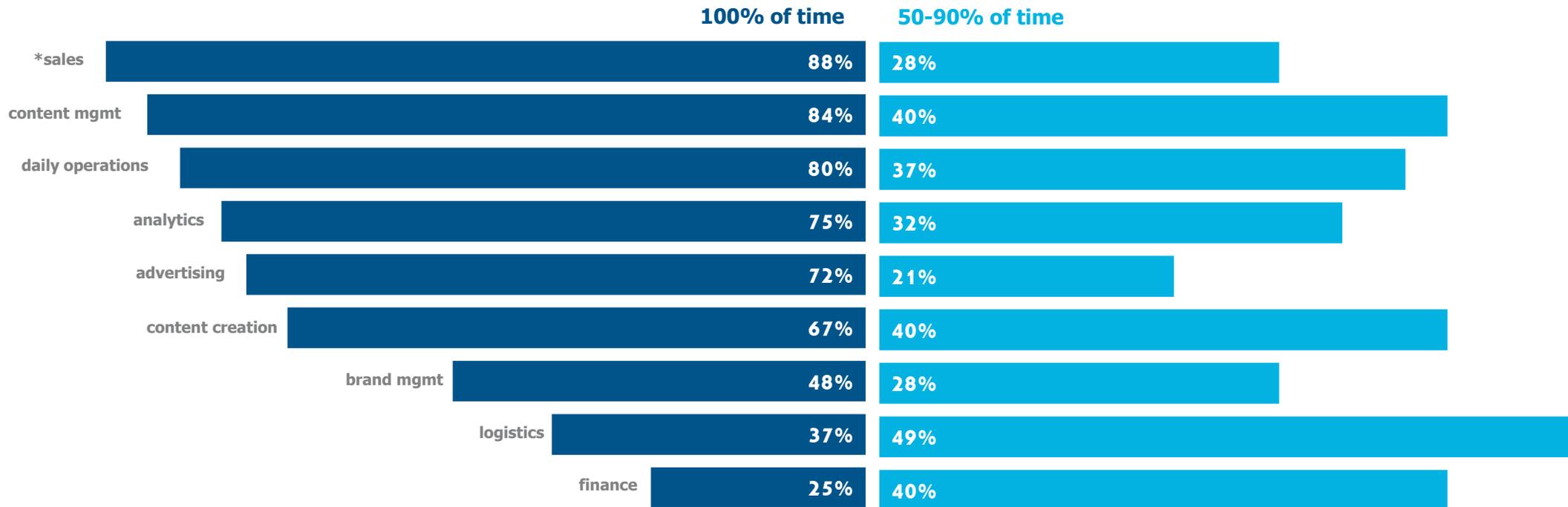
18% of brands house eCommerce teams under Marketing. This is primarily driven around the concept that eCommerce platforms like Amazon act very much like marketing vehicles when we consider the path to purchase for today's shopper.

When it comes to dot.com omnichannel teams, 56% of those teams report into their individual B&M retailer teams (e.g. Walmart.com team lead reports into broader Walmart team). This trend remains consistent in brands with large eCommerce share and those with eCommerce leaders in place.

TEAMS TEND TO HAVE CROSS-FUNCTIONAL EXPERTISE

Teams are built as microcosms of the overall business structure, with cross-functional expertise covering everything from sales, to marketing, to logistics, to analytics, and brand management. Most **brands with dedicated eCommerce employees** put the majority of resources into sales (88%) and content management (84%), as well as daily operations (80%) and analytics (75%). **Employees who spend 50-90%** of their time on eCommerce are predominantly responsible for logistics (49%), content creation/management (40%), and daily operations (37%).

EMPLOYEES WITH eCOMMERCE RESPONSIBILITIES



Source: 2018 eCommerce Team Benchmark, Cleveland Research Company

* The percentage depicted in the chart shows the percentage of companies surveyed that have that specific function either dedicated 100% to eCommerce or spend 50%-90% of their time on eCommerce

eCOMMERCE RESPONSIBILITIES*



BRANDS WITH eCOMMERCE LEADERS

100% of time:

sales, daily operations, content management, analytics, advertising. On average, there are about **12 people** on these teams (vs. 1-2 people in brands without eCommerce leadership).

50-90% of time:

logistics, content creation, finance, daily operations. On average there are **3-4 such employees** (vs. 1-2 people in brands without eCommerce leadership).



BRANDS WITH eCOMMERCE TEAMS

100% of time:

sales, content management, daily operations, analytics, advertising. On average, there are about **10 people** on these teams (vs. 1-2 people in brands without eCommerce teams).

50-90% of time: logistics, finance, content creation, daily operations, analytics. On average, there are about **4-5 such employees** (vs. 2 people in brands without eCommerce teams).



BRANDS WITH LARGE eCOMMERCE SHARE**

100% of time:

sales, daily operations, content management, analytics, advertising. On average, there are close to **13 people** on these teams (vs. 6-7 people in brands with low eCommerce share).

50-90% of time: content creation, logistics, content management, daily operations, brand management. On average, there are **6-7 such employees** (vs. 2-3 people in brands with low eCommerce share).



BRANDS WITH LARGE AMAZON BUSINESS***

100% of time:

account management, daily operations, analytics, content management, AMS/AMG, content creation. On average there are **16-17 people** on these teams (vs. 5-6 people in brands with low Amazon sales).

50-90% of time:

content creation and management, daily operations, logistics, analytics. On average there are about **8 such employees** (vs. about 2 people in brands with low Amazon sales).

Source: 2018 eCommerce Team Benchmark, Cleveland Research Company

*eCommerce Responsibilities are listed in order from the largest to lowest percentage of brands reporting what roles team members are responsible for

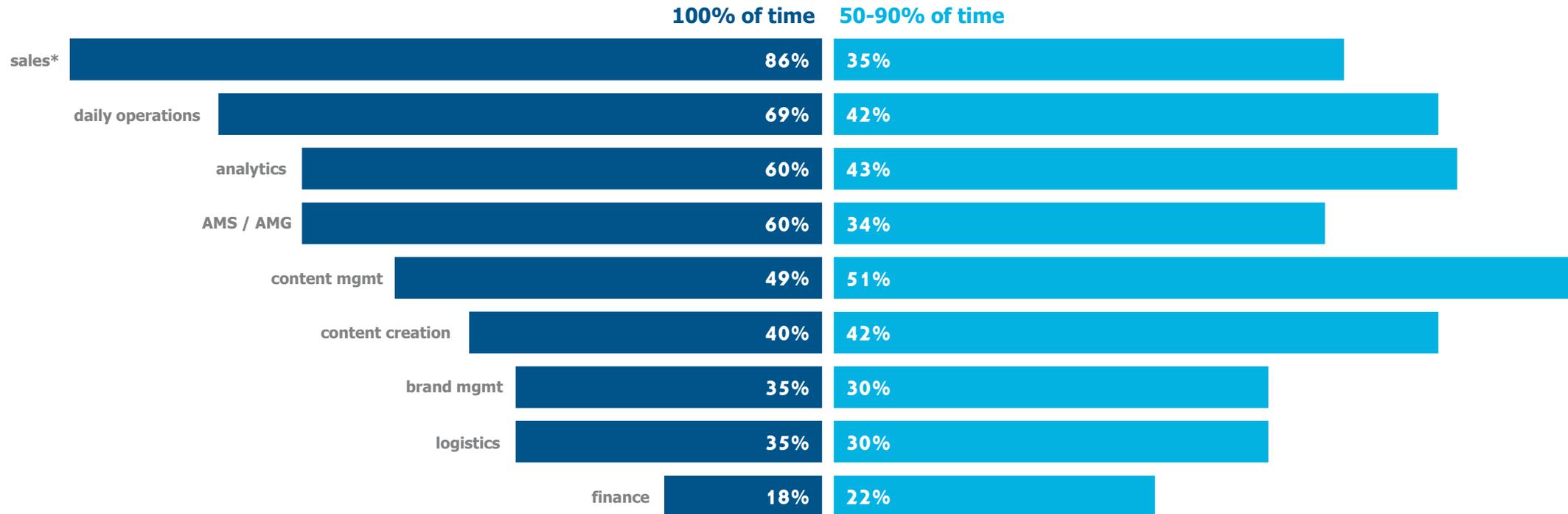
**Large eCommerce share is defined as 11% (+) of annual revenue coming from eCommerce

*** Large Amazon Business is defined as \$40M (+) of annual Amazon sales

AMAZON TEAMS SPEND MOST OF THEIR TIME ON SALES FUNCTIONS

In companies with **dedicated Amazon employees**, responsibilities are most frequently allocated to sales (86%), daily operations (69%), analytics (60%) and AMS/AMG activities (60%). On average there are 2-3 people on these Amazon teams. In companies with **employees spending 50-90% on Amazon**, most brands are allocating resources into content management/creation (51%/42%), analytics (43%), and daily operations (42%). On average there are 2-3 such employees that are spending between 50-90% of their time on Amazon.

EMPLOYEES WITH AMAZON RESPONSIBILITIES



Source: 2018 eCommerce Team Benchmark, Cleveland Research Company

* The percentage depicted in the chart shows the percentage of companies surveyed that have that specific function either dedicated 100% to Amazon or spend 50%-90% of their time on Amazon.

AMAZON RESPONSIBILITIES*



BRANDS WITH eCOMMERCE LEADERS

100% of time: sales, daily operations, analytics, AMS/AMG. On average, there are close to **3 people** on these teams (vs. 1 person in brands without eCommerce leaders).

50-90% of time: content management, analytics, daily operations, content creation, sales. On average there are **about 3 such employees** (vs. 1-2 people in brands without eCommerce leaders).



BRANDS WITH eCOMMERCE TEAMS

100% of time: sales, daily operations, analytics, AMS/AMG, content management. On average, there are about **3 people** on these teams (vs. about 1 person in brands without eCommerce teams).

50-90% of time: content management, analytics, content creation, daily operations, AMS/AMG. On average, there are **3-4 such employees** (vs. about 1 person in brands without eCommerce teams).



BRANDS WITH LARGE eCOMMERCE SHARE**

100% of time: sales, daily operations, AMS/AMG, analytics, content management. On average, there are about **3 people** on these teams (vs. 1-2 people in brands with low eCommerce share).

50-90% of time: content management, analytics, content creation, daily operations. On average, there are **6 such employees** (vs. 2 people in brands with low eCommerce share).



BRANDS WITH LARGE AMAZON BUSINESS***

100% of time: sales, daily operations, AMS/AMG. Analytics, content management and creation. On average there are close to **5 people** on these teams (vs. 1 person in brands with low Amazon sales).

50-90% of time: content management, daily operations, content creation, sales, analytics. On average there are about **7 such employees** (vs. 1-2 people in brands with low Amazon sales).

Source: 2018 eCommerce Team Benchmark, Cleveland Research Company

*Amazon Responsibilities are listed in order from the largest to lowest percentage of brands reporting what roles team members are responsible for

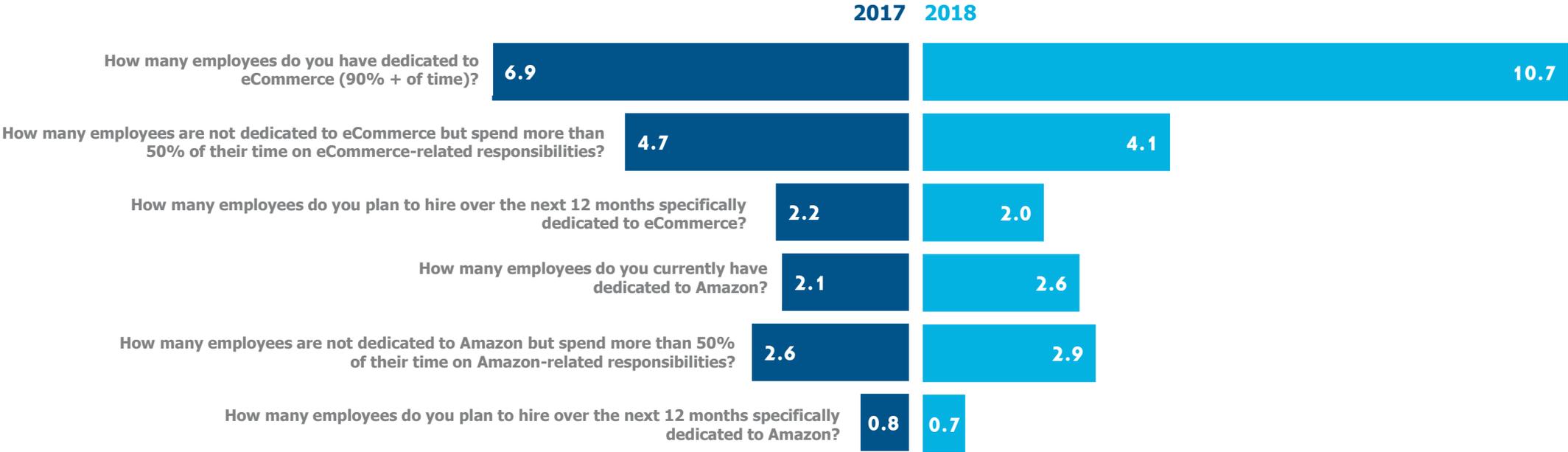
**Large eCommerce share is defined as 11% (+) of annual revenue coming from eCommerce

*** Large Amazon Business is defined as \$40M (+) of annual Amazon sales

eCOMMERCE-SPECIFIC EMPLOYEES ARE ON THE RISE

On average, companies are dedicating **more employees to eCommerce-specific activities** (+55% vs. 2017), while the number of **employees spending at least 50% of their time on eCommerce activities has gone down** (-13% vs. 2017). This year, brands are employing around 10 full time and 4 part time employees for eCommerce. Brands employ **2-3 people specifically for full time** (+23% vs. 2017) **as well as part time for Amazon** (+10% vs. 2017). When it comes to planning for the future, companies are expecting to hire approximately the same number of employees for eCommerce and Amazon in 2018 as last year.

SIZE OF eCOMMERCE AND AMAZON TEAMS

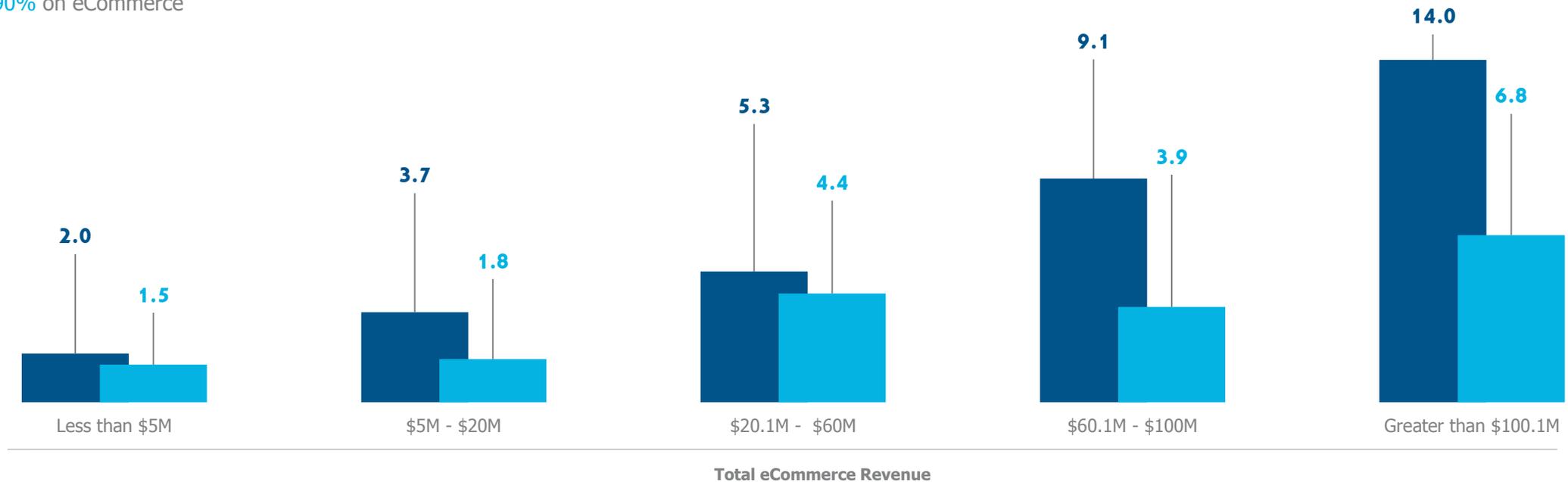


ORGANIZATIONS ARE EMPHASIZING DEDICATED STAFF FOR eCOMMERCE TEAMS

Not surprisingly, the larger the eCommerce business, the more full time and part time staff are needed. The chart below illustrates the gradual increase in team size that occurs as companies grow their sales from \$5mm to over \$100mm. Regardless of large or small eCommerce business, companies have prioritized more human capital dedicated to eCommerce compared to employees that spend of portion of their time on eCommerce.

- Employees spending 100% on eCommerce
- Employees spending 50-90% on eCommerce

How many employees at your organization are dedicated to eCommerce, and how many spend 50-90% on eCommerce?

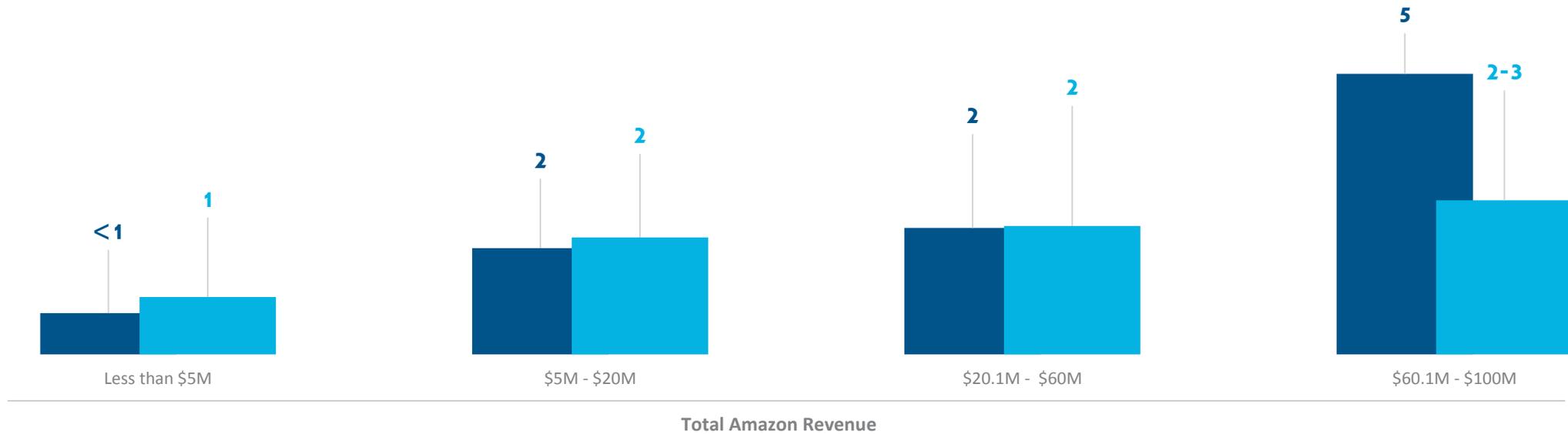


AMAZON TEAMS ARE COMPRISED OF BOTH DEDICATED & PART TIME SUPPORT

Similar to eCommerce as a whole, on average, the larger the size of ones Amazon business, the larger the team. When it comes to Amazon, there is more of an even split between employees dedicated to the account and those that spend a portion of their time on the account. Within the data, the brands with the largest eCommerce revenue are have 3-4 dedicated staff on the account, although more variation exists.

How many employees at your organization are dedicated to Amazon, and how many spend 50-90% on Amazon?

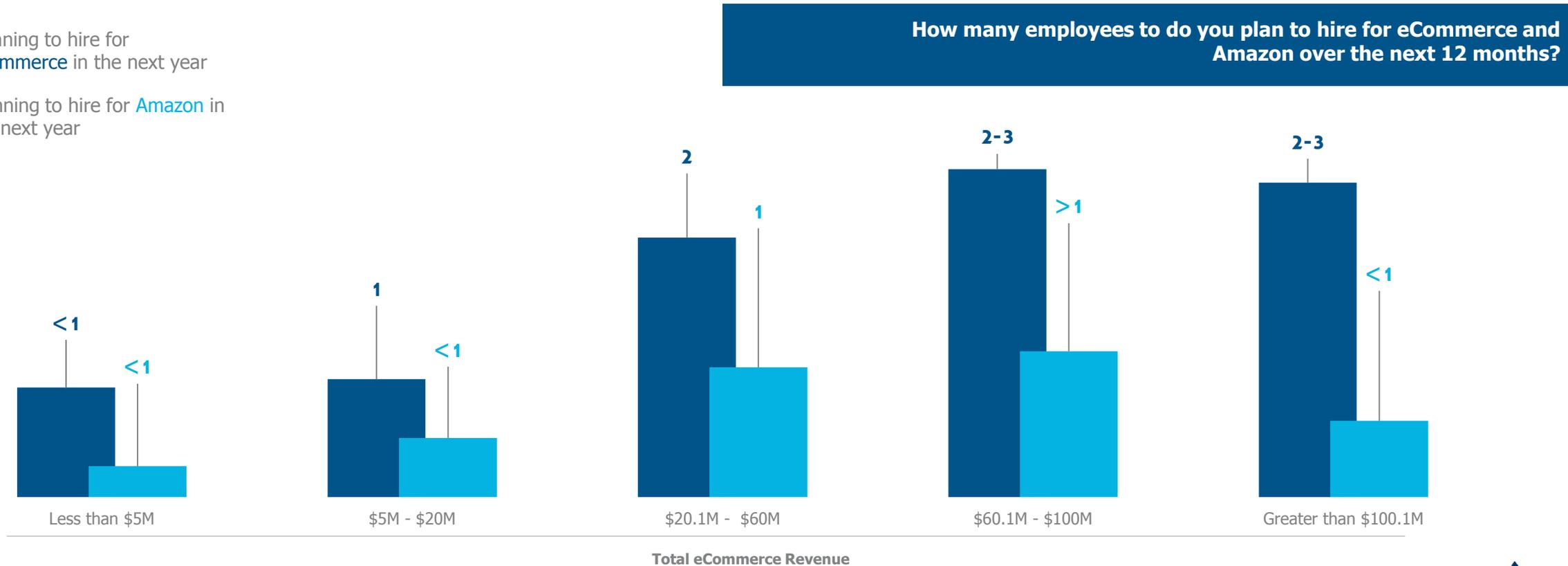
- Employees spending 100% on Amazon
- Employees spending 50-90% on Amazon



ECOMMERCE TEAM GROWTH EXPECTED IN '18

Overall, large brands are more likely to plan to hire dedicated **eCommerce** employees over the next 12 months as opposed to smaller brands. As for **Amazon**, both small and large brands are planning to make small additions to their teams over the next year. Interestingly, brands in the \$150M-\$250M bucket are not planning to hire any part time Amazon support. This is likely due to the fact that brands in this category already have a sizeable Amazon team as well as eCommerce staff (pg. 13-14).

- Planning to hire for **eCommerce** in the next year
- Planning to hire for **Amazon** in the next year



TEAMS BY CATEGORY



FOOD & CONSUMABLES

eCommerce: Food & Consumables brands typically have about 9 people dedicated to eCommerce, and about 2 people who spend 50-90% of their time on eCommerce.

Amazon: These brands typically have 1-2 employees dedicated to Amazon, and about 2 employees spending 50-90% of their time on Amazon.

Future Plans: In the next 12 months these brands are planning to hire 1-2 additional employees for eCommerce, and 1 employee for Amazon.



HEALTH & BEAUTY

eCommerce: Health & Beauty brands typically have 6 people dedicated to eCommerce, and about 3 people who spend 50-90% of their time on eCommerce.

Amazon: These brands have 1-2 employees dedicated to Amazon, and about 1-2 employees spending 50-90% of their time on Amazon.

Future Plans: In the next 12 months these brands are planning to hire about 3 additional employees for eCommerce, and 1-2 employees for Amazon.



HOME IMPROVEMENT

eCommerce: Home Improvement brands typically have 4-5 people dedicated to eCommerce, and about 2-3 people who spend 50-90% of their time on eCommerce.

Amazon: These brands have 1 employee dedicated to Amazon, and about 1-2 employees spending 50-90% of their time on Amazon.

Future Plans: In the next 12 months these brands are planning to hire 1-2 additional employees for eCommerce, and 1 employee for Amazon.



OTHER CATEGORIES

eCommerce: Brands in the other categories combined typically have about 6 people dedicated to eCommerce, and 5 people who spend 50-90% of their time on eCommerce.

Amazon: These brands have 1-2 employees dedicated to Amazon, and about 2-3 employees spending 50-90% of their time on Amazon.

Future Plans: In the next 12 months these brands are planning to hire 4-5 additional employees for eCommerce, and 1 employee for Amazon.



THE IMPORTANCE OF CONTENT ONLINE CANNOT BE OVERSTATED. OUR RESEARCH SHOWS THAT CUSTOMERS USE BRAND WEBSITES, AMAZON, AS WELL AS SOCIAL MEDIA WHEN RESEARCHING PRODUCTS. **IN 2017 83% OF SHOPPERS AT LEAST SOMETIMES VISITED AMAZON WHEN RESEARCHING PRODUCTS, WITH 23% LOOKING FOR PRODUCT INFORMATION SPECIFICALLY.** **THUS, IT IS IMPERATIVE THAT BRANDS DEDICATE RESOURCES TO CREATING, MANAGING, SYNDICATING, AND OPTIMIZING CONTENT.**

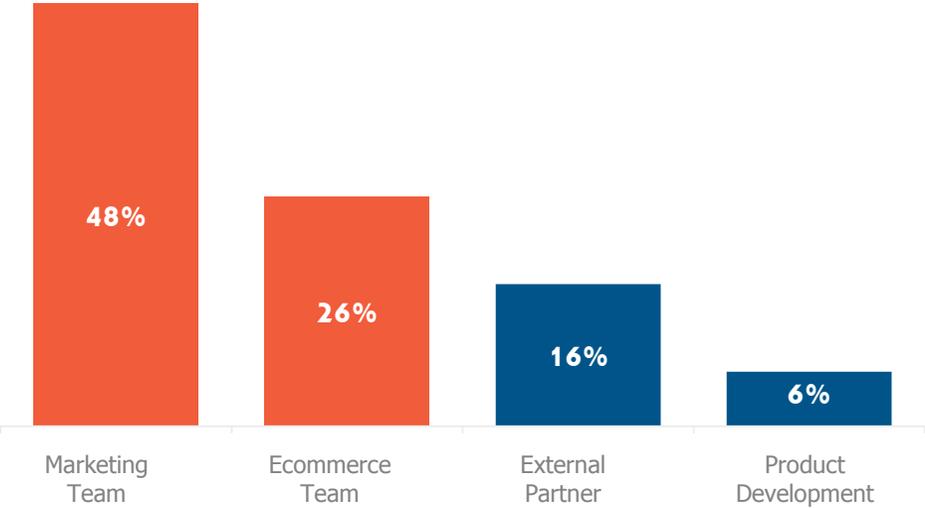


CONTENT CREATION IS HOUSED INTERNALLY

Before any marketing and advertising initiatives take place, it is important to optimize content. Internally, brand teams, creative marketing, and eCommerce / Amazon teams are responsible for content creation. In firms with larger eCommerce share of business (11%+ of total sales), creative marketing teams and eCommerce / Amazon teams tend to own content creation. In firms with smaller eCommerce share (10%- of total sales), marketing, eCommerce, and brand teams tend own content creation. It is also common for internal and external teams to collaborate on content creation.

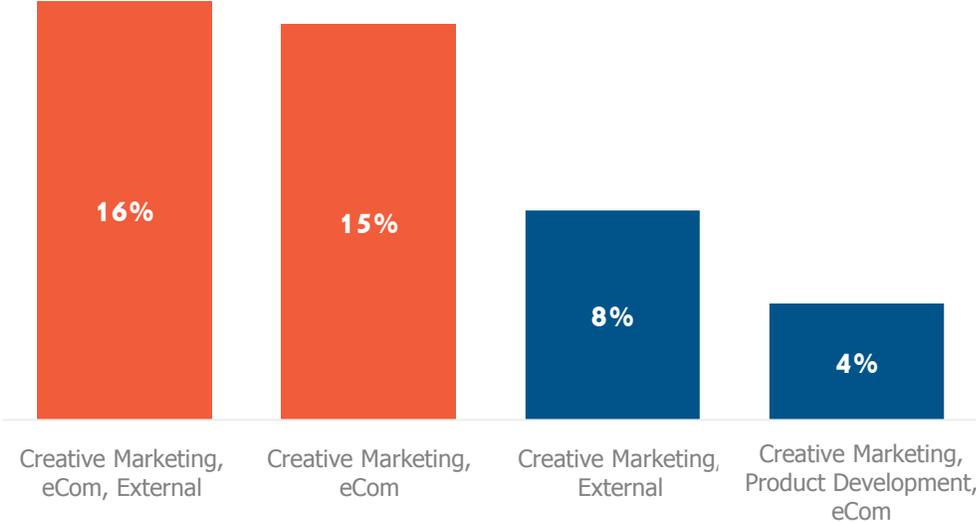
TEAMS THAT ARE INVOLVED IN CONTENT CREATION

Brands site teams that are most commonly involved in content creation. For instance, 48% of brands report marketing teams being involved either owning it entirely or working with other departments.



MOST COMMON COLLABORATIONS OF TEAMS ON CONTENT CREATION

Brands site a collaboration of two to three teams as most common. For instance, for 16% of brands, creative marketing, eCommerce, and external partners collaborate on content creation.



82% of shoppers report beginning their product research online. Customers are going to Amazon, search engines, and brand websites for product information. Optimizing content has never been more important. Many brands hire external expertise to create and optimize content for maximum impact to the bottom line.

EXTERNAL RESOURCES FOR CONTENT RELATED FUNCTIONS



CREATION

28% of brands use external resources for content creation.



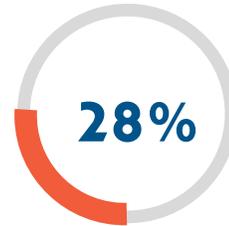
PIM/DAM

35% of brands use external resources for Product Information (PIM) and Data Attribute Management (DAM) systems.



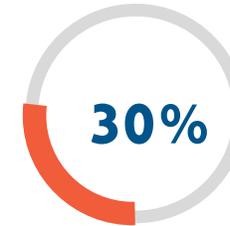
SYNDICATION

30% of brands use external resources for content syndication.



AUDITING

28% of brands use external resources for content auditing.



OPTIMIZATION

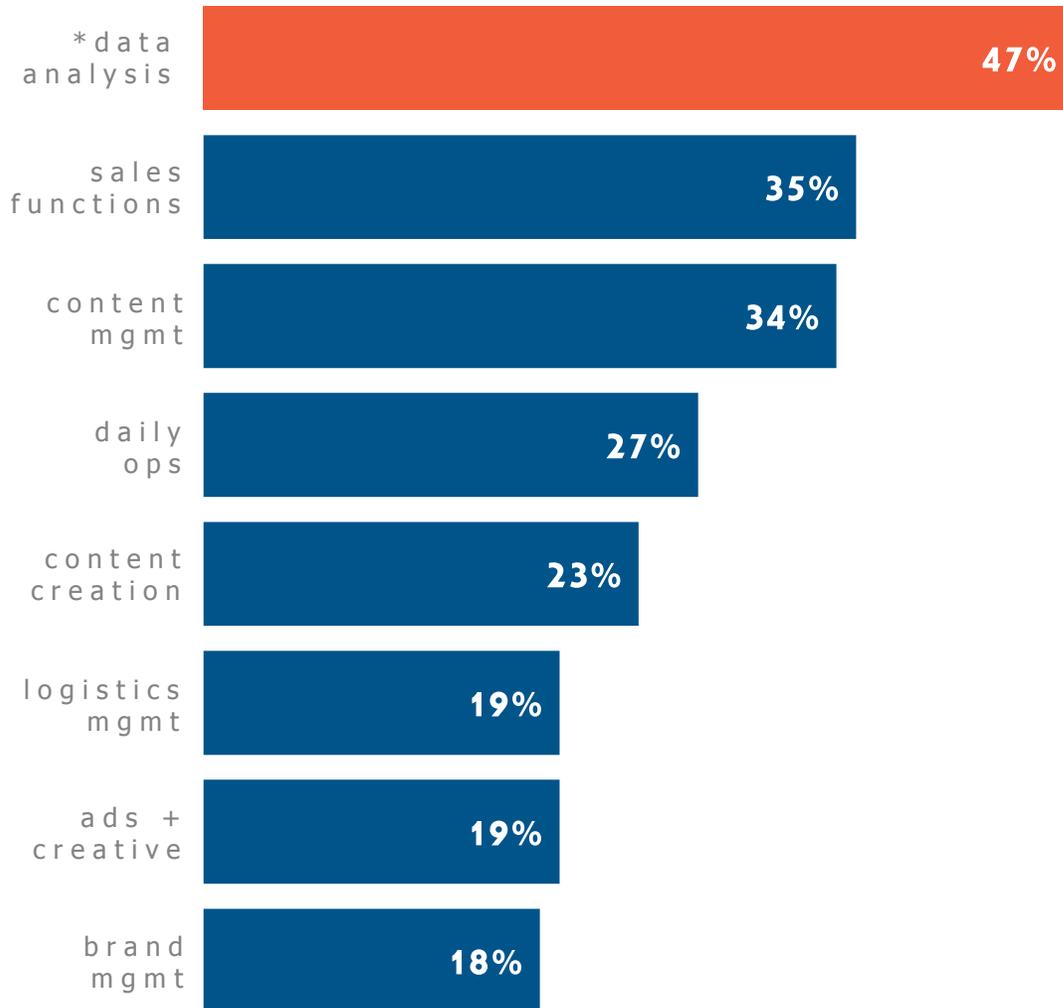
30% of brands use external resources for content optimization.



WITH RESOURCES BEING HEAVILY ALLOCATED TO SALES, DAILY OPERATIONS, AND ADVERTISING CURRENTLY, THE MAJORITY OF BRANDS ARE LOOKING TO BEEF UP THESE AREAS EVEN FURTHER IN THE NEXT 12 MONTHS. BRANDS ARE ALSO LOOKING TO HIRE ANALYTICS ROLES TO CAPITALIZE ON THE VAST AMOUNT OF DATA THAT IS AVAILABLE.



eCommerce roles brands are planning to hire over the next 12 months:



BRANDS ARE LOOKING TO LEVERAGE DATA

On average, brands are continuing to hire heavily into sales and content capabilities. However, a large portion of brands are now prioritizing analytics (**47%**), realizing that data can be leveraged to optimize various business and sales initiatives.

Both brands with dedicated eCommerce leaders (**49%**) and teams (**47%**) are prioritizing analytics at rates similar to the overall average for brands. On the other hand, brands without dedicated eCommerce leaders (**70%**) and teams (**56%**) are prioritizing content management well above average.

Analytics is equally as important to brands with large (**51%**) and low (**38%**) eCommerce share. However, brands with low eCommerce share are also focused on content creation (**38%**) and content management (**38%**). Large eCommerce share is defined as 11%+.

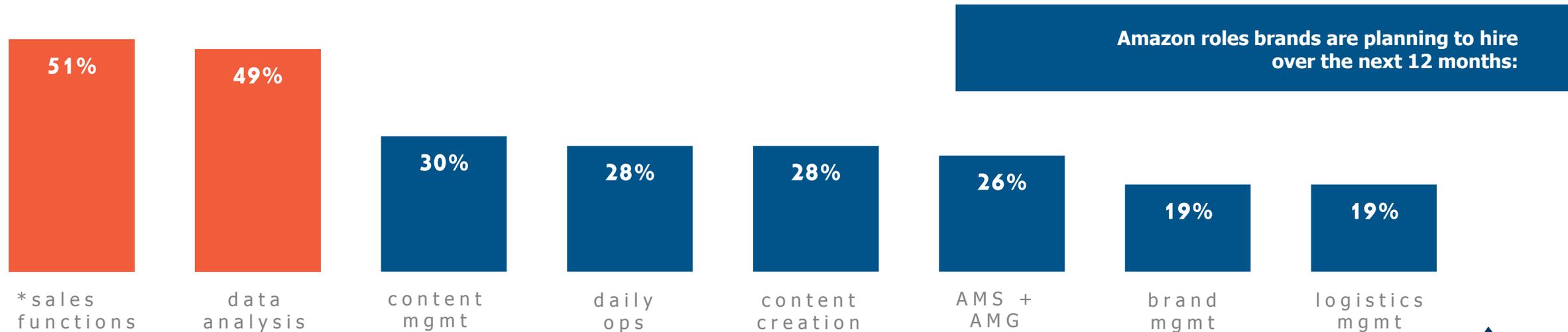
Similarly, analytics is a priority for brands with small (**44%**) and large (**62%**) Amazon business. Large Amazon business is defined as \$40M+.

AMAZON ROLES FOCUSED ON SALES + DATA

When it comes to Amazon teams, on average, **brands are planning to expand sales capabilities along with analytics** in the next 12 months.

Both brands with dedicated eCommerce leaders and teams are prioritizing analytics and sales for Amazon. **49%** of brands with eCommerce leaders and **50%** of brands with eCommerce teams are hiring analytics roles for Amazon, while **47%** of brands with eCommerce leadership and **48%** of brands with eCommerce teams are hiring staff into Amazon sales roles. Sales is likely taking a backseat to analytics in many cases because these organizations already have robust sales teams, as 85% of brands with eCommerce leaders and 88% of brands with eCommerce teams report having dedicated sales staff. When it comes to brands without eCommerce leaders or teams, sales takes first priority. **100%** of brands without eCommerce leaders and **70%** of brands without eCommerce teams are planning to hire sales roles for Amazon in 2018.

Analytics is a priority for brands with large eCommerce share (11%+) and large Amazon business (\$40M+): **50%** of these brands report planning to hire analytics roles. The focus on analytics over sales in brands with large eCommerce share is primarily due to these brands already having strong sales functions, as **89%** report dedicated Amazon sales roles. Similarly, focus on analytics takes precedence over sales in brands with large Amazon business, being driven by the fact that **91%** report dedicated Amazon sales employees. On the other hand, brands with lower eCommerce share and Amazon business are focusing on sales this year. **50%** of brands with eCommerce share that is 10% and below, and **64%** brands with Amazon sales below \$40M, are looking to hire into sales.

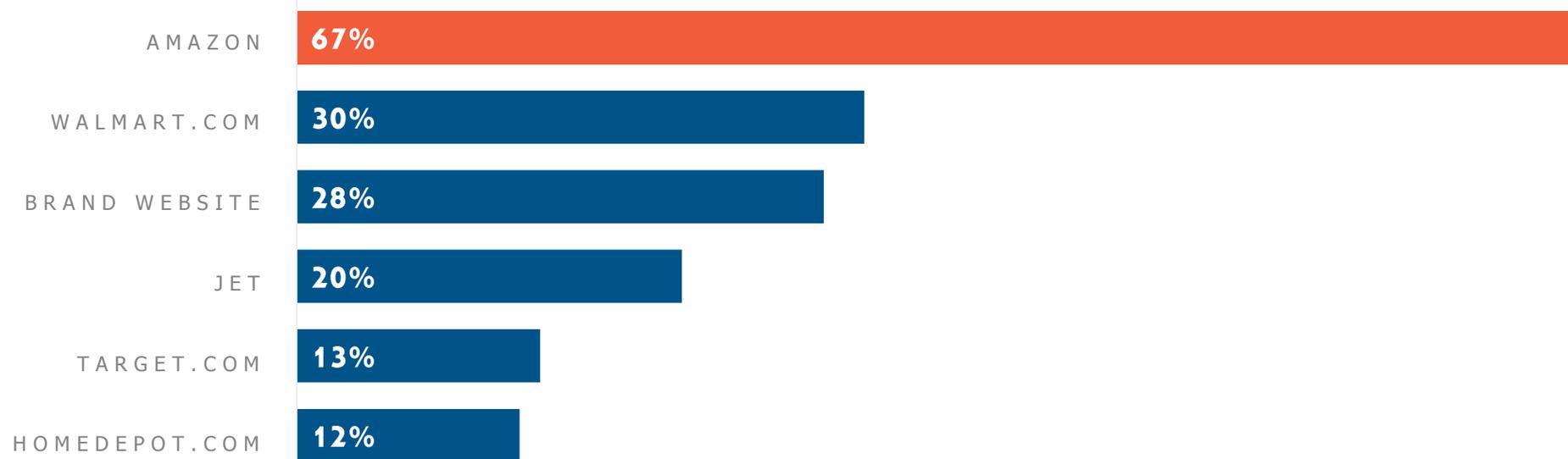


BRANDS PLAN TO KEEP INVESTING IN AMAZON

Brands continue to see **Amazon** as a growth channel, and it continues (for the third straight year) to be the channel brands are focusing on the most with new resources. **Walmart.com** comes in second in terms of resource allocation, and **brand's own websites** come in third.

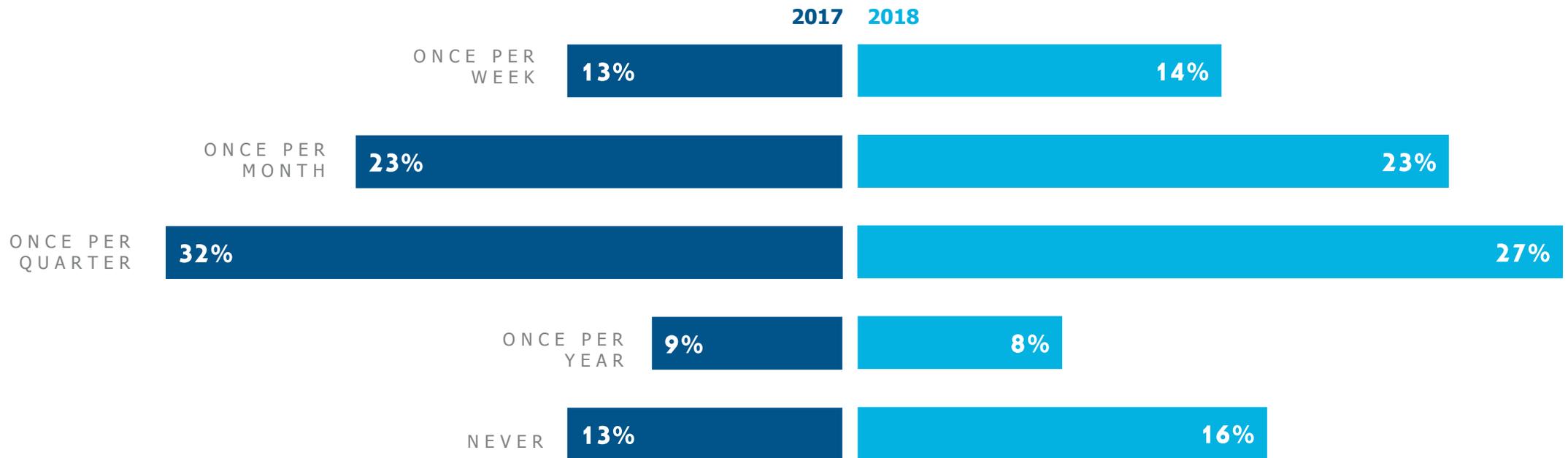
The trend of resource allocation to these channels remains constant when we look at brands with large Amazon business and those with large portions of their sales coming from eCommerce. Many of these brands are also investing into **Jet** which is somewhat surprising as Walmart has pulled back to a degree on that business.

Retailers brands plan to invest in:



HOW OFTEN DOES YOUR AMAZON TEAM MEET WITH ITS B&M COLLEAGUES?

In general, **communication between Amazon teams and B&M omnichannel teams is slightly worse than last year, with 65% of teams meeting at least quarterly (-3 points vs. 2017).** The percentage of brands reporting to “never” communicate increased 3 points since last year. This remains a major opportunity for companies looking to better coordinate their strategy across in-store and dot.com, in addition to best practice sharing from Amazon that can be applied to omnichannel retail customers.





WHO UTILIZES SVS?

Amazon is a key area of investment for brands. In addition to building out internal Amazon teams, more brands are investing in SVS (Strategic Vendor Services), particularly those with robust Amazon sales growth.

01. BRANDS WITH eCOMMERCE LEADERS

46% of brands with eCommerce leadership at a mid to senior level utilize SVS. These brands also tend to have dedicated eCommerce teams.

02. BRANDS WITH eCOMMERCE TEAMS

45% of brands with dedicated eCommerce teams utilize SVS. These brands typically have an eCommerce leader at the mid to senior level.

03. BRANDS WITH LARGE eCOMMERCE SHARE*

59% of brands with large eCommerce share are utilizing SVS. These brands are likely to have a dedicated eCommerce team, but less likely to have a dedicated eCommerce leader.

04. BRANDS WITH LARGE AMAZON BUSINESS**

74% of brands with large Amazon business are utilizing SVS. These brands tend to have an eCommerce team as well as an eCommerce leader at a mid to senior level.

Source: 2018 eCommerce Team Benchmark, Cleveland Research Company

* Large eCommerce share is defined as 11% (+) of annual revenue coming from eCommerce

** Large Amazon Business is defined as \$40M (+) of annual Amazon sales



60% OF HEALTH & BEAUTY BRANDS
utilize SVS



46% OF HOME IMPROVEMENT BRANDS utilize SVS



48% OF FOOD AND CONSUMABLES BRANDS
utilize SVS



78% OF OTHER BRANDS utilize SVS

SVS USE BY BROKEN DOWN BY CATEGORY + AMAZON REVENUE

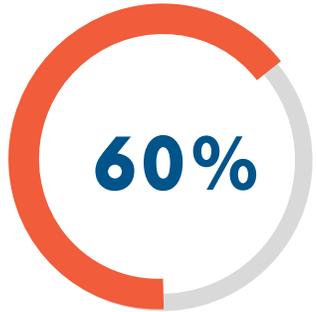
In general, brands with large Amazon business are more likely to use Amazon SVS than smaller brands.

17% of the brands with annual Amazon revenue of under \$20M are utilizing an Amazon SVS.

68% of brands with annual Amazon revenue of \$40M-\$100M are utilizing Amazon SVS.

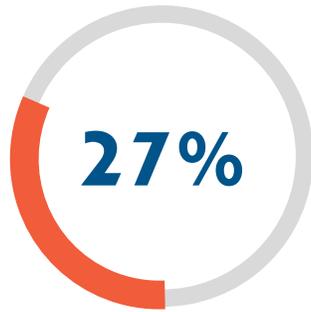
66% of brands with annual Amazon sales over \$80M are using an Amazon SVS.

WHO MANAGES AMS CAMPAIGNS INTERNALLY?



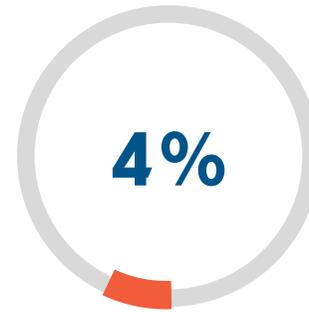
eCOMMERCE TEAM

60% of brands house Amazon advertising under eCommerce teams, most likely due to the fact that all Amazon-related activities began by being managed through a sales lens.



MARKETING TEAM

27% of brands house Amazon advertising responsibilities with the marketing team. The benefit of this approach is an easier comparison to other digital ad platforms and potentially more effective allocation of marketing dollars.



BRAND TEAM

4% of brands house Amazon advertising in brand teams. Integrity of brand voice is important. Because Amazon impacts many different areas of a company, AMS advertising should be a cross-functional effort.



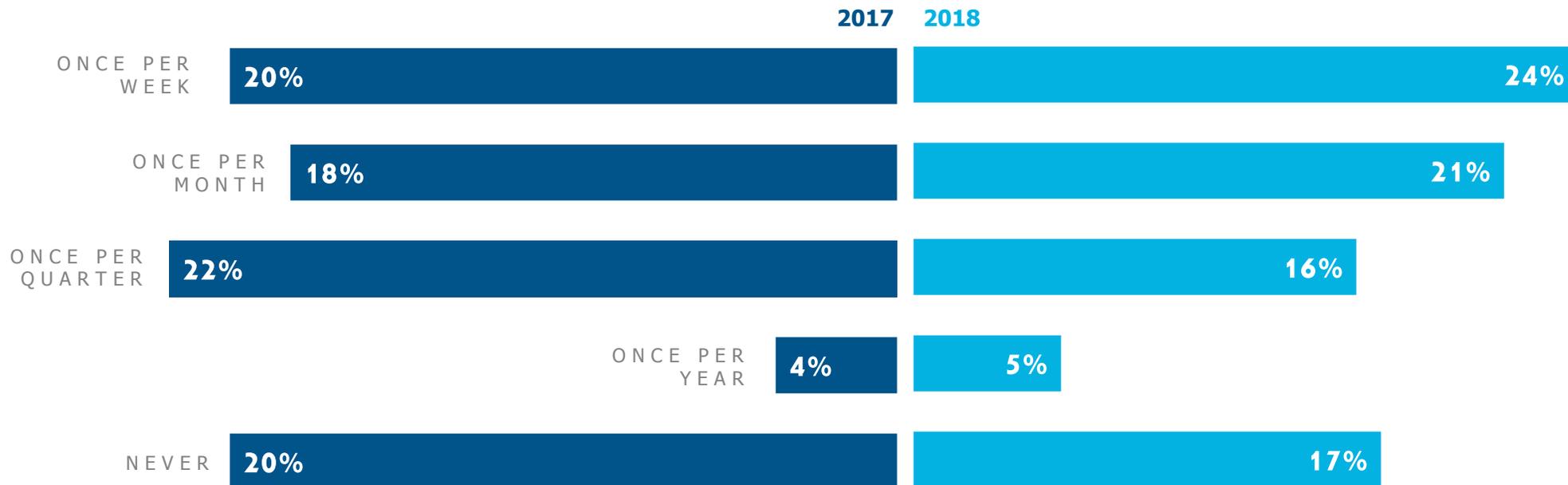
OTHER

10% of brands site "other" teams managing AMS campaigns, specifying employees with sales, eCommerce, and digital marketing. This most often arises with smaller firms and is likely due to the lack of dedicated eCommerce, marketing, and brand teams at these organizations.

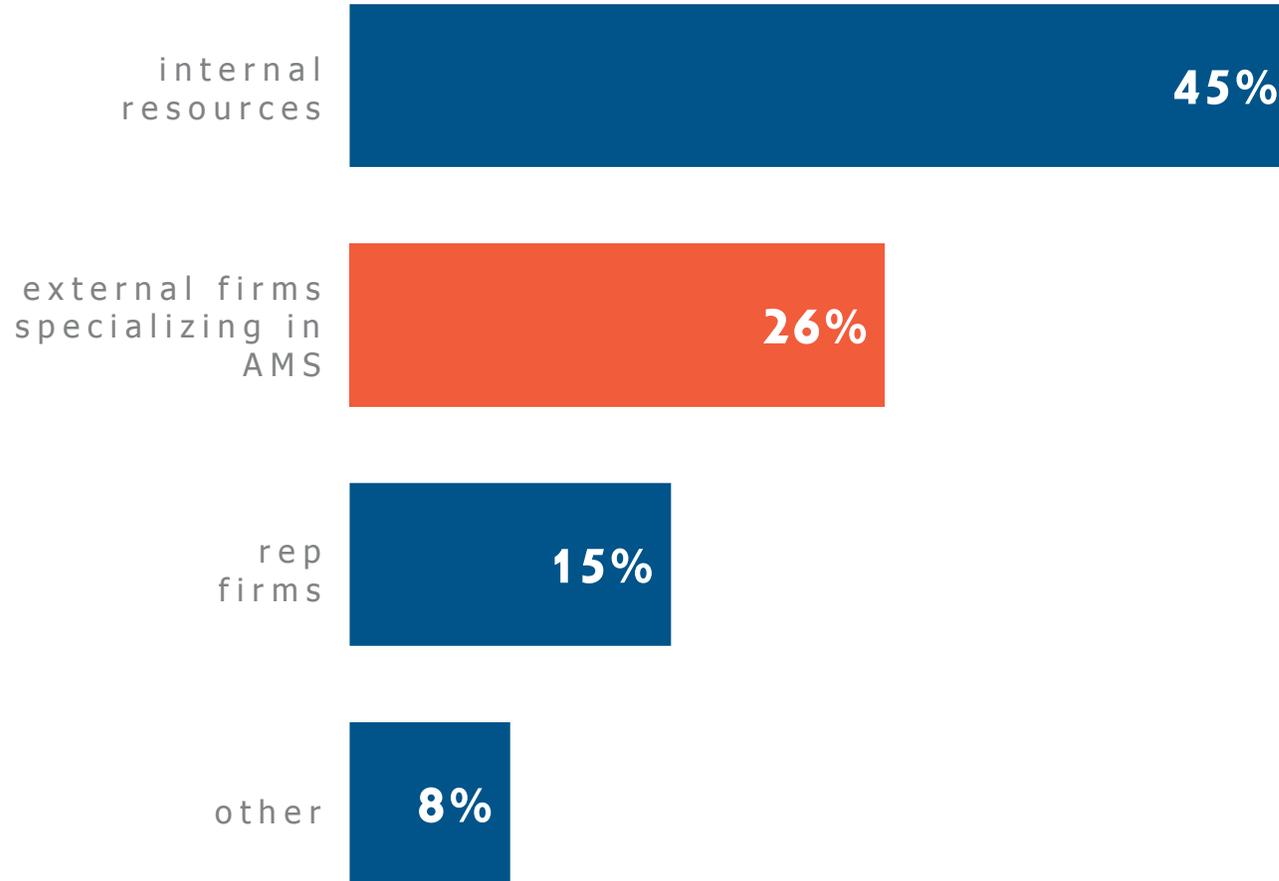
While there is no standard as to who should be managing Amazon marketing initiatives, it does seem to lend itself to a cross-functional approach. The Amazon/eCommerce team should be involved because it is core to its overall strategy, including driving sales. The marketing team also needs to be a part of the process as they are dealing with other digital advertising platforms and can more easily see the bigger picture across the firm's overarching advertising strategy.

HOW OFTEN DOES THE TEAM MANAGING AMS MEET WITH ITS DIGITAL MARKETING COLLEAGUES?

45% of brands have their AMS and digital advertising teams meet at least monthly (+7 points vs. 2017), while **24% of brands report that these teams meet on a weekly basis** (+4 points vs. 2017). When we look at brands that have dedicated eCommerce departments, these teams predominantly choose to meet weekly as well (25%). The improvement we saw this year is encouraging as we continue to see an opportunity for the AMS and digital marketing teams to work closely together and have frequent opportunities to share best practices and analytics across platforms.



Ways AMS is managed in organizations:



AMS MANAGED IN-HOUSE BUT OUTSOURCING IS GROWING

45% of brands are still managing AMS with internal resources. However, **more than a third of suppliers are deferring to outside experts to manage AMS campaigns.**

Anecdotally, we are hearing more instances of outside experts beginning to take precedence over internal resources when it comes to AMS campaign management.

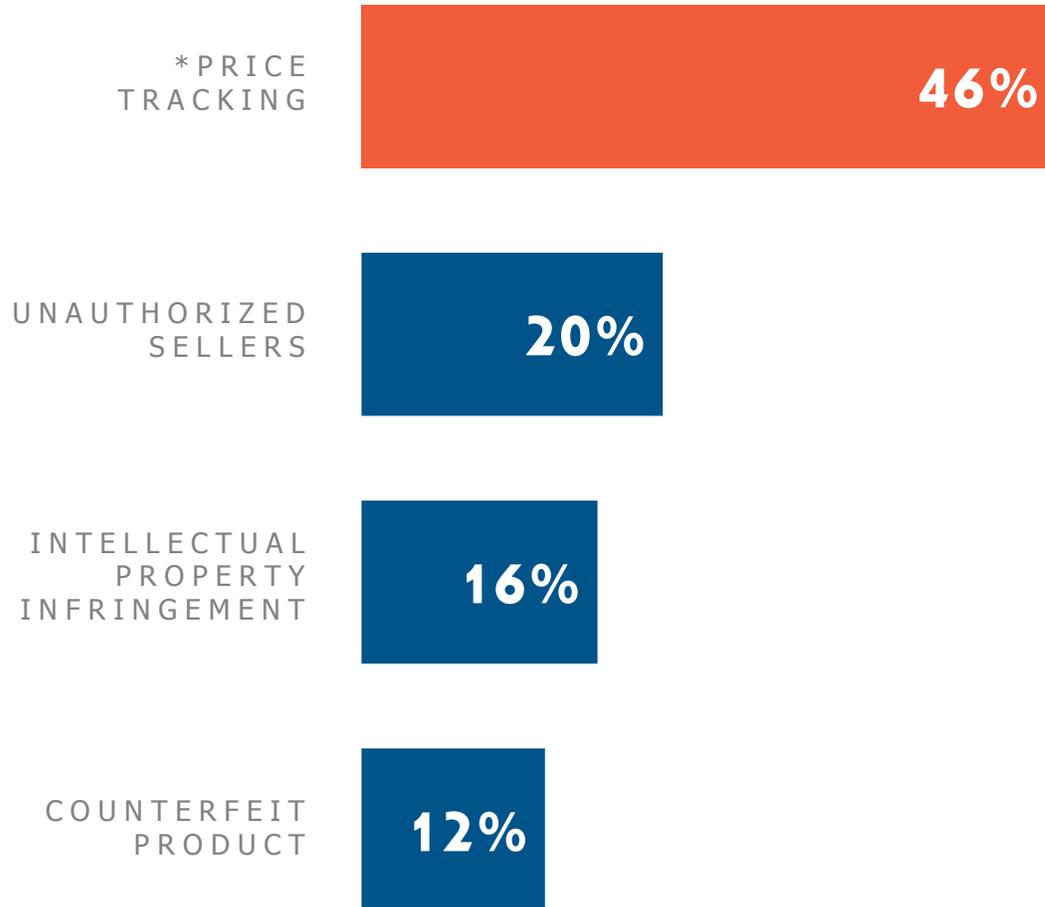
In many cases, brands find hiring experts specializing in all things AMS is valuable as the platform becomes more competitive and as increasingly complex technology moves quickly. These types of external specialty firms can help brands stay on top of technological innovations necessary to succeed in the changing retail landscape.



The changing landscape of retail means that market and consumer information has never been more important. With this in mind, brands are hungry for consumer and market data, with majority of companies reporting using external service providers to gain visibility into metrics such as sales growth and market share on Amazon.



External technology tools brands use for market tracking:



TECH TOOLS FOR MARKET TRACKING

In addition to market data, brands are focused on maintaining a high level of brand integrity through monitoring their distribution channels. On average, marketplace tracking has become a critical task for brands managing their eCommerce business. As such, many suppliers are using external technology resources to track several aspects of the marketplace.

Brands seem to be most concerned with channel conflict, with 46% of brands tracking pricing online. Pricing concerns are even higher when it comes to brands with large Amazon business, \$40M+ (65%), as well as those with dedicated eCommerce teams (52%).

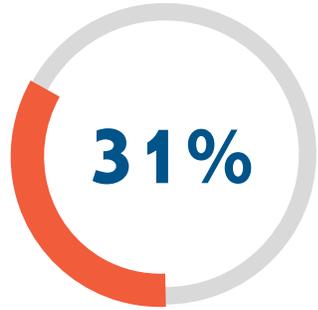
A large portion of brands (47%) are not using external resources to help with marketplace challenges. In our research, we see these companies struggling to get enough internal resources to monitor these issues and thus think there is an opportunity for brands to increase the usage of third parties to help automate what are otherwise very manual tasks.



MANY BRANDS ARE NOW EMPLOYING THE HYBRID MODEL, PARTICULARLY THROUGH AMAZON'S "FULFILLED BY AMAZON" (FBA) PROGRAM, WHICH ALLOWS SUPPLIERS TO REACH THE eTAILER'S 100M+ PRIME MEMBERS AND BENEFIT FROM ITS UNPARALLELED SUPPLY CHAIN CAPABILITIES. BRANDS ARE FINDING THAT THERE ARE SEVERAL AREAS TO MANAGE IN A HYBRID MODEL – A KEY REASON RESOURCES, INCLUDING EXTERNAL PARTNERS, SHOULD BE ALLOCATED IF THIS GO-TO-MARKET STRATEGY IS EMPLOYED.



HYBRID MODEL ADOPTION + FUTURE PLANS



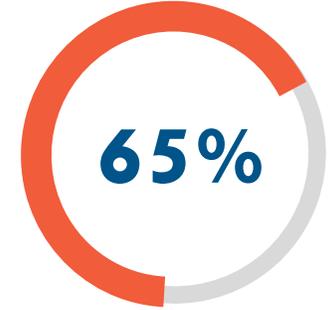
HYBRID SELLERS

31% of brands have already begun utilizing the hybrid model as a strategic tool on Amazon. When looking at brands with large Amazon business (\$40M+), this number jumps to **43%**. Brands are typically employing 1-2 people to focus on the 3P portion of the Amazon marketplace.



HYBRID PLANS

55% of brands are planning to adopt the hybrid model in the next 12 months. When considering brands with large Amazon business, this number jumps to **69%**.

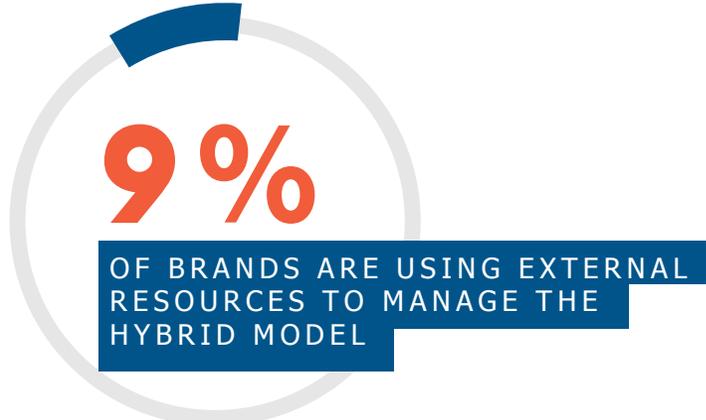
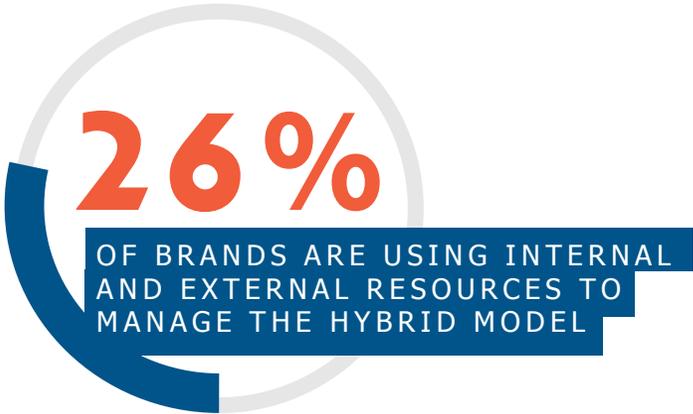
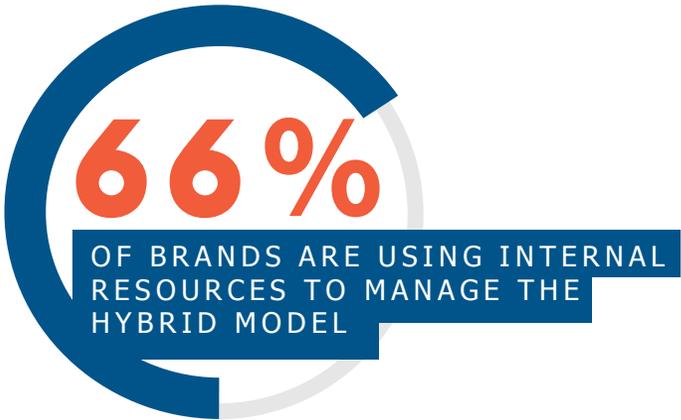


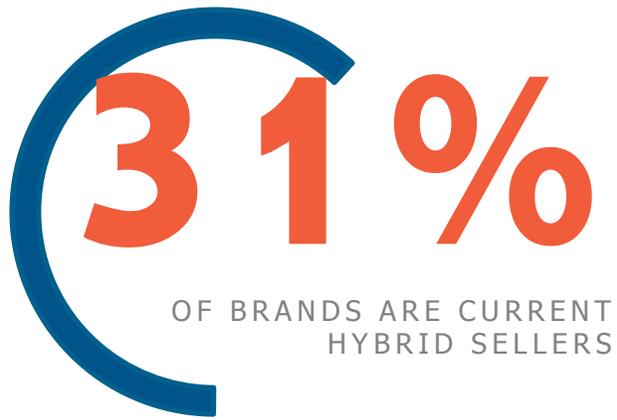
1P-ONLY

65% of brands sell only as a 1P vendor on Amazon. A lower percentage of brands with large Amazon business are 1P vendors only (**57%**).

We are seeing many brands strongly considering adopting the hybrid model in 2018. Many suppliers see the benefits of being a hybrid seller, including inventory backstop, price control, and product development benefits, among others.

eCommerce success is strongly tied to resources allocated to teams, and that includes managing the hybrid model. The majority of brands are choosing to manage the program internally. As the marketplace gains significant relevance for brands, we expect more suppliers to seek outside resources to manage the hybrid model and the 3P marketplace more broadly.





MANAGING THE HYBRID MODEL

Amazon, and especially the 3P marketplace, is a key area of investment for brands. As such, companies are building out hybrid strategies. Below is a breakdown of human resources being allocated to the hybrid model and managing the 3P marketplace.

01. BRANDS WITH eCOMMERCE LEADERS

Brands with eCommerce leaders are typically using **2 people to specifically manage the 3P marketplace.** Brands without eCommerce leadership typically have 1-2 people managing the hybrid model.

02. BRANDS WITH eCOMMERCE TEAMS

On average, brands that have teams specifically dedicated to eCommerce are employing **3 people to specifically manage the 3P marketplace.** This is significantly higher than brands who do not have dedicated eCommerce teams, typically using 1 person to manage the hybrid model.

03. BRANDS WITH LARGE eCOMMERCE SHARE*

Brands with large eCommerce share are typically employing **2 people to specifically manage the 3P marketplace.** Brands with lower eCommerce share are using 1-2 people to manage the hybrid model.

04. BRANDS WITH LARGE AMAZON BUSINESS**

Brands with high Amazon sales are typically employing **1-2 people to specifically manage the 3P marketplace.** This is similar to brands that have lower sales on Amazon.

On average, brands across categories are using between 1 and 3 people to manage the 3P marketplace. Importantly, all of these categories of brands are using additional employees to manage the 3P marketplace when the hybrid model is employed. Adding 3P to an already existing 1P program can feel like another account altogether, and thus, requires incremental resources. In our research, most brands add these resources after a few months of the program getting up and running.

Source: 2018 eCommerce Team Benchmark, Cleveland Research Company
 * Large eCommerce share is defined as 11% (+) of annual revenue coming from eCommerce
 ** High Amazon sales is defined as \$40M (+) of annual Amazon sales

BOTTOM LINE: BUILD TEAMS FOR MAXIMUM IMPACT TO THE BOTTOM LINE



Much of eCommerce success depends on the quality of resources allocated to eCommerce teams and the types of capabilities that are being developed. Companies are improving their bottom lines in the short-run, and more importantly the long-run, by bringing in the right eCommerce leader and supporting them with team resources as well as investing in initiatives such as content and analytics.



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Appendix

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