

Tackling 4 of the Top Challenges in eCommerce

How to solve for the key business issues facing companies in the eCommerce marketplace



“We’re in the midst of a profound structural shift from physical to digital retail.” These were the words of Jeff Jordan of venture capital firm Andreessen Horowitz on the growth of the eCommerce industry. The eCommerce marketplace plays an increasingly large role in impacting shopper purchase decisions, regardless of where transactions occur. The growth and impact of the eCommerce space has been well-documented — eMarketer reported eCommerce growth by quarter was roughly five times that of store locations in 2013 and 2014. However, less documented is the shift in market conditions that have made participating in eCommerce extremely complex, competitive, and even risky for both retailers and manufacturers.

To be successful in eCommerce, companies have to be able to operate amidst four market conditions—or risk areas—that threaten their ability to win and retain shoppers:

- Volatility – Prices changing with increasing frequency and unpredictability
- Non-compliance – Pricing and promoting brands and products outside established guidelines
- Illegal/Illicit activity– Counterfeiting and unauthorized resale
- Size & Scope – More retailers, resellers, and products available online than ever before

All four of these conditions require not only consistent, accurate visibility into the merchandising and pricing of products online, but also a scalable process by which manufacturers and retailers can solve for each condition. In this issue of Market Track 360 Strategy, we will identify the challenges current eCommerce market conditions present, and discuss their potential business impact. We will outline the ideal solutions for each situation for both retailers and manufacturers. We will then share a process to solve for these conditions, emphasizing the importance of using quality data to support informed decision making.

Market Track expands its eCommerce solution

Market Track recently announced its acquisition of New Momentum, Inc. (“NewMo”). NewMo has established itself as the leading provider of online brand protection and eCommerce price monitoring services to many of the world’s most respected brands. With its global data footprint, CyberAnalyst SaaS platform, and ability to curate massive quantities of data, NewMo provides an ideal complement to Market Track’s existing eCommerce and market intelligence solutions.

Taking Action in eCommerce

Leading retailers and manufacturers leverage data, tools, and strategic processes to solve for the risk involved in selling products online. Market Track’s eCommerce solutions, including PriceVision and CyberAnalyst, provide:

- Intra-day online pricing visibility/dynamic pricing
- MAP monitoring and enforcement
- Brand protection and enforcement
- A comprehensive reporting suite to measure progress towards compliance and protection

PriceVision Hourly Online Pricing Trend Linksys e900 Wi-Fi Router

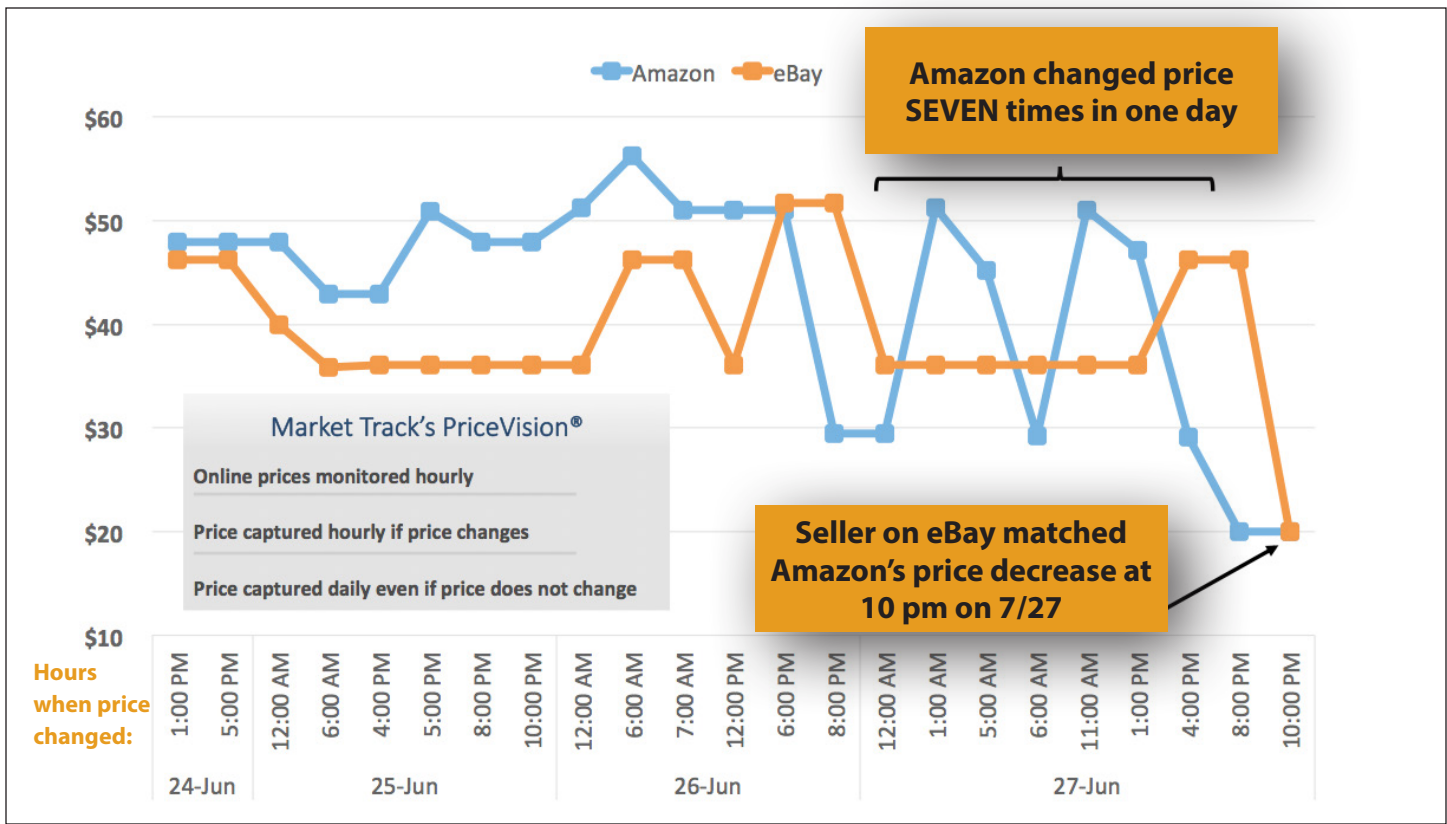


Figure 1: Intra-day Price Volatility

Source: Market Track's PriceVision® Data

eCommerce price volatility adds complexity to 'winning'

An Associated Press article from the 2014 Holiday Shopping Season compared online shopping to "stock market trading"—a comparison meant to highlight just how volatile pricing in the eCommerce marketplace has become. It is commonplace today for shoppers to see one price on a

product this minute, then return to purchase the next minute only to find the price has changed.

eCommerce price fluctuations will continue to become more frequent and less predictable. Companies that lack the ability to track intra-day price changes are at a competitive disadvantage.

Problems: Where eCommerce price volatility has caused headaches for shoppers, it has emerged as one of the top issues affecting the performance of retailers and manufacturers in the eCommerce space. The industry's leading retailers have invested in technology built to change the prices on

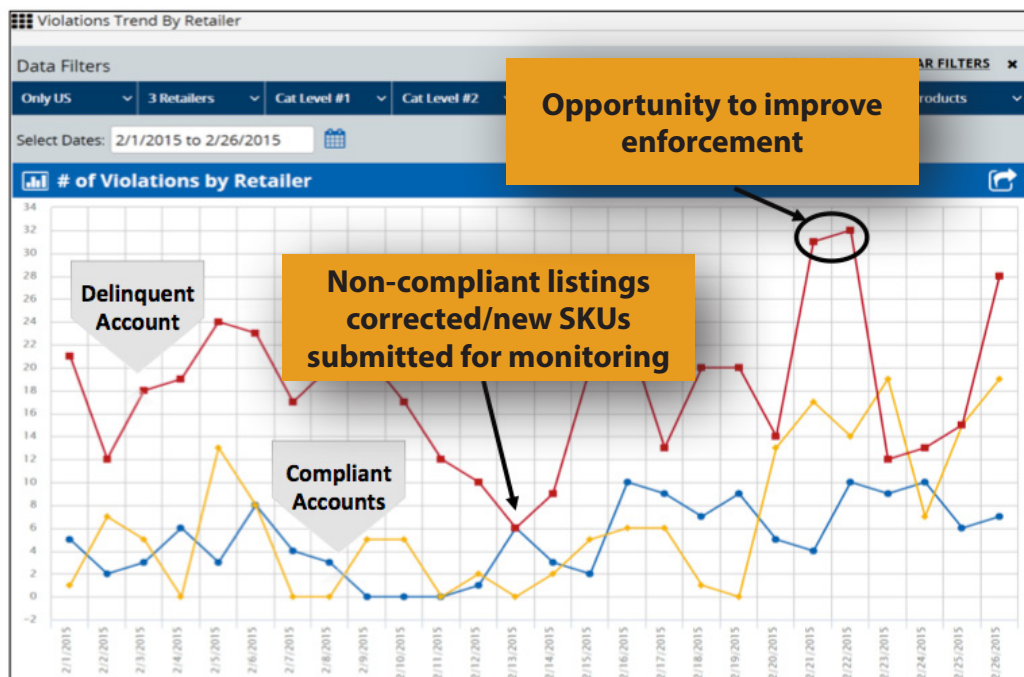
millions of products multiple times each day based on a variety of market conditions. Although this technology has made it difficult for their competitors to stay on top of their pricing, it has also forced competition to adopt the same practice, making it difficult for any retailer or brand to track competitive pricing.

eCommerce price fluctuations will continue to become more frequent and less predictable with time. Companies that lack the ability to track intra-day price changes are at a significant disadvantage in today's eCommerce marketplace. No visibility leads to slow, imprecise reactive price changes, which makes it difficult to win more informed, price sensitive shoppers who have plenty of options when deciding where to buy.

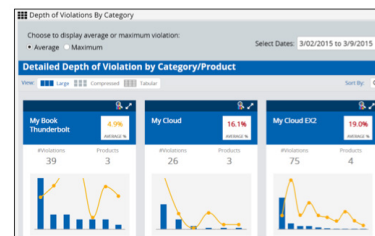
Differentiated Solution: Market Track's PriceVision® technology solves for the problems presented by intra-day price changes. Market Track captures and catalogs all eCommerce price changes across millions of buy pages on thousands of global merchant sites. Clients are alerted when top competitors change their price on best-selling products or across their full assortment, which reduces reaction time and limits the risk of their shoppers finding better prices on a competitive site.

Market Track's MAP Trend Dashboard

MAP Violation Trend by Retailer



Monitor severity/depth of violation



Violations segmented by seller/product



Figure 2: MAP Compliance Dashboard

Source: Market Track's MAP Compliance Solution

Threats to the bottom-line in the short AND long term

Manufacturers invest hundreds of millions each year to maintain the equity of each brand in their portfolio. Brands like Apple, Microsoft, Samsung, Nike, and L'Oreal—all of which ranked in the top 100 this year on Forbes' list of the world's most valuable brands—make this investment so that shoppers will associate their products with the highest quality and value available, consistent with their price premium. Despite their efforts, each of these brands, along with thousands more are negatively impacted every day by retailers and resellers in the eCommerce marketplace that fail to comply with manufacturers' requirements for Minimum Advertised Price (MAP).

Problem: MAP policies exist to help brands avoid several unfavorable business outcomes that impact both their short and long term sales potential. In the short term, MAP non-compliance can drive down margins. This can hurt immediate profits for compliant retailers that may be forced to reduce their price to remain competitive. As a result, the retailer may choose to focus their merchandising efforts on competitive products, or even choose to not carry the manufacturers' products at all.

Repeat, widespread, or ongoing violations can

permanently change a shopper's perception about what they SHOULD pay for a brand or product, which can diminish sales potential in the long term. In both scenarios, a manufacturer's relationship with its retail partner may suffer from the appearance that they are not sufficiently investing in or supporting its retail channel.

Differentiated Solution: The significant impact MAP violations could have on sales potential make them a problem worth solving for. Finding an effective and efficient solution is where many manufacturers struggle. How do you identify, enforce violations, and verify their correction across multitudes of products and accounts? Market Track's MAP Monitoring Solution monitors thousands of eCommerce merchants and identifies violations based on client-customized business rules. Violations are validated and tracked according to the client's specific MAP policy. For many clients, Market Track also sends violation notices and monitors when the retailer is back in compliance. Violations are reported on a detailed and aggregated basis to track progress over time. This provides a measurable solution for reducing the number of non-compliant listings in the marketplace, ultimately minimizing the threat to a brand's equity and sales potential.

Market Track's CyberAnalyst Brand Protection Solution

Illicit Sellers/Products Dashboard



Enforcement Summary

Source Site	Listings Removed	% Compliance
TAOBAO	1,060	93.5%
FUDZILLA	361	97.2%
AMAZON	158	99.8%
PAIPAI	115	92.7%
MERCADOLIBREBR	118	96.7%
MERCADOLIBREMX	91	86.2%
ALIEXPRESS	88	94.4%
MERCADOLIBREAR	80	92.2%
ALIBABA	39	97.2%
Total	2,109	\$632,678.91



Figure 3: Brand Protection in Black/Grey Markets

Source: Market Track's CyberAnalyst®

Unprotected brands are at serious risk

The ease of entry into the online marketplace for resellers across the globe, combined with the instant access consumers have to these resellers, has created ideal conditions for illicit grey and black market activity. The International Chamber of Commerce estimated that worldwide counterfeit sales will reach \$1.2 trillion in 2015, largely driven by the online marketplace. An additional \$63 billion per year is lost to grey market diversion in the U.S. alone, according to a recent Deloitte Touche study. As these illicit industries grow, it becomes more and more difficult for companies to protect their brands.

Problem: Companies depend on brand equity to command loyalty and sustain long-term profitability. Any threat to their brands could compromise the company's ability to win new customers and retain current customers. Counterfeit products are typically listed at a lower price and are of lower quality than the authentic product. This hurts consumer perception of the quality of a brand, and may impact their decision to buy in the future, as they do not always realize the product they bought is counterfeit. Sales in the grey market set the same incorrect pricing perceptions as the black market. The grey market adds a layer of complexity, however, in that legitimate channel relationships may be damaged by the low prices offered by unauthorized resellers or by rogue authorized resellers offering goods for sale outside of their contracted territories.

Differentiated Solution: Protecting brands from grey and black market activity is a monumental task for manufacturers, often reminiscent of "Whack-a-mole". From monitoring thousands of reseller sites, through verifying fraudulent listings, to removing such listings from eCommerce sites, each step in the brand protection process has its obstacles. However, with over \$2 trillion in potential sales on the line annually, brands cannot afford to ignore this issue.

Market Track's CyberAnalyst software (formerly NewMo) provides visibility into the global open market, monitoring the full spectrum of site types (global marketplaces, online retailers, price comparison sites, mobile app sites, independent retailers, ad sites, social media, and more) and collecting granular information about sellers, products, and individual listings.

CyberAnalyst uses client-specific business rules to filter out listings with high-risk indicators from the rest of the market, and substantially minimize the number of false positives. Seller profiles are generated to link an individual seller's activity across multiple marketplaces, and even multiple identities, allowing visibility into a seller's full footprint and fraudulent activity throughout the online arena.

Market Track Data Analysts then submit takedown requests on the illicit listings. Market Track consistently achieves over a 90% enforcement success rate, identifying and removing hundreds of millions of dollars' worth of fraudulent listings in the past five years.

Market Track's PriceVision Summary Dashboard

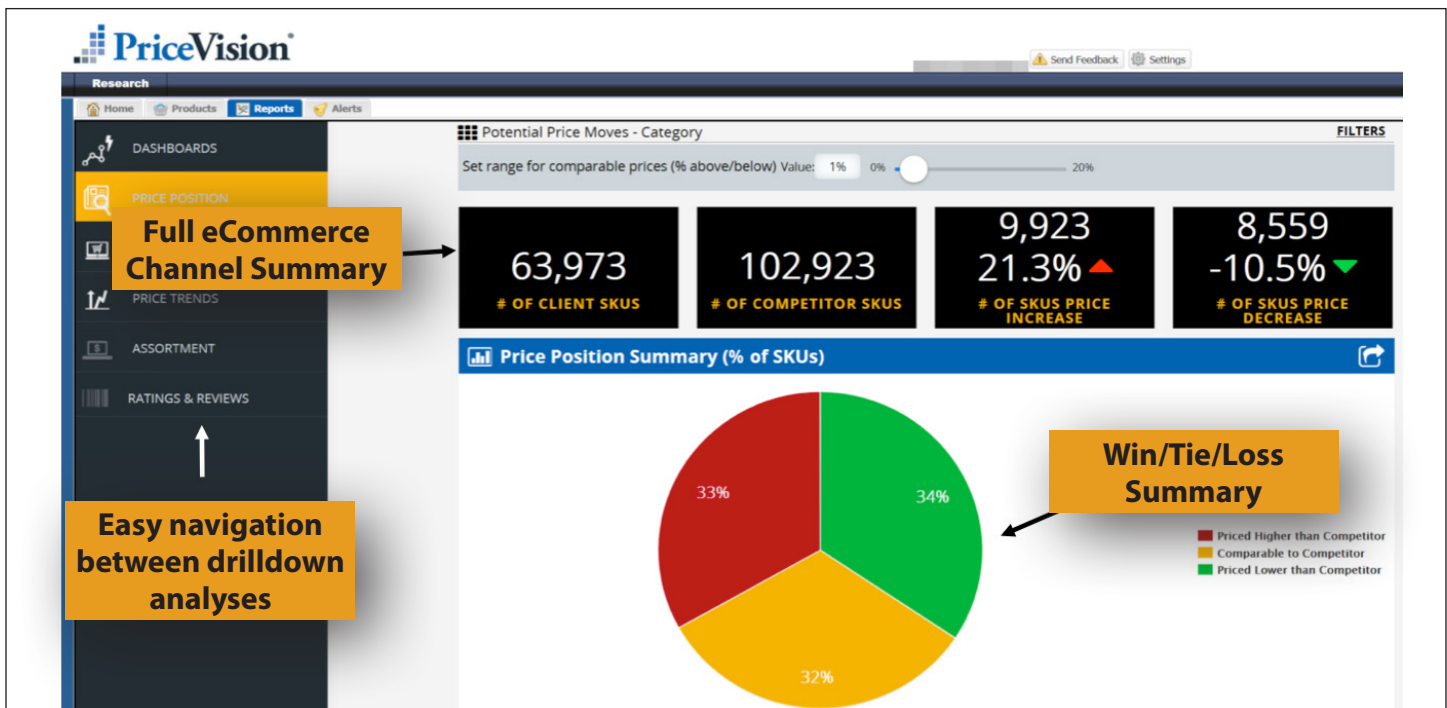


Figure 4: Comprehensive, accurate, real-time channel information

Source: Market Track's PriceVision®

Big problems call for big solutions

A common theme among the issues companies encounter in the eCommerce marketplace is the massive size and scale. A December 2014 report from Internet Retailer estimated that at any given time there are between 12 and 24 million online resellers in the world, 650,000 of which are revenue generating (or conduct more than \$1,000 in business per year). With third party marketplaces offered by major eCommerce retailers such as Amazon and TaoBao, these resellers have unprecedented access to consumers. Today, Amazon alone sells over 200 million products in the US.

Problem: To stay competitive, many companies rely on up-to-date price and assortment intelligence on a large number of products across a wide variety of eCommerce retailers, marketplaces, and aggregators. Retailers allocate significant time and effort trying to monitor all competitor pricing, and manufacturers attempt to identify and remove bad listings across all marketplaces and resellers. But in too many cases, they make little progress against their goals, as the size and scope of the project is simply too large for them to handle without help.

Differentiated Solution: To make meaningful strides against the threats posed by the eCommerce marketplace,

retailers and manufacturers need a solution that has the scale to address an issue that has an almost unlimited scope, and the agility to handle the rapidly changing online retail environment.

Market Track's scale and innovation is unmatched, performing over 20 million product extracts per day. Retailers with hundreds of thousands of SKUs use Market

Retailers with assortments up to and greater than 500,000 SKUs use Market Track's eCommerce solutions to actively manage pricing with daily competitive price updates across their full product line.

Track's eCommerce solutions to actively manage pricing with daily competitive price updates across their full product line. Market Track has also helped manufacturers with a complex and robust global eCommerce channel effectively enforce MAP policies and significantly reduce illicit product listings. These solutions have led industry innovation by providing clients with competitive insights on in-store pricing, regional price variation, and best-selling assortment.



Implementation: Solving for the Top Issues Faced in the eCommerce Marketplace

In this issue of Market Track 360 Strategy, we identified four conditions that impact manufacturer and retailer's ability to sell their products in the eCommerce marketplace—volatility, non-compliance, illegal activity, and size/scale. We also shared some examples of how these conditions present significant business risk to both the supplier and seller sides. Understanding that these conditions exist will not improve a retailer or manufacturer's online business. In order for a company to successfully operate in the eCommerce space, they need the right information, resources, and process in place to diagnose the problems caused by current market conditions, and take action against them. Below is a list of the most critical questions you must be able to answer in order to build and maintain a successful eCommerce business. Additionally, we will offer Market Track's point-of-view on the resources and process you need to answer those questions.



Do we know when our top competitors change prices online? Are our competitors changing online prices multiple times every day? Do we know on which categories, brands, and products our competition fluctuates price most?

Today, retailers change online prices on thousands of products multiple times per day. Companies that want to remain competitive need the ability to capture prices every time they change. Additionally, to help plan pricing strategy in the long-term, companies need to be able to summarize their online pricing data to determine which categories, brands, and products are most volatile. Market Track's PriceVision® software collects online prices every time they change. This information is archived in PriceVision's web database, and can be trended by retailer, category, brand, or SKU over time to identify price movers, leaders, and followers.



Who are the most frequent violators of our MAP? Are non-compliant retailers threatening other retail relationships? Can we successfully enforce price corrections?

To improve compliance with MAP guidelines, manufacturers need the ability to capture all violations in-the-moment, including both the price and webpage image, to verify the violation occurred. They need the ability to aggregate all violations and report on them to identify areas of high delinquency. Finally, they need an effective enforcement process that improves compliance without sacrificing retailer relationships. Market Track's MAP Compliance solution captures all violations of MAP across client designated retailers and SKUs. Both the violation price and page capture are archived in CyberAnalyst™. A MAP trend dashboard monitors compliance over time, and includes an enforcement tool through which clients can submit and track enforcement requests.



Can we identify counterfeit listings online? Do we know which marketplaces have the highest rates of delinquency? Can we successfully enforce the removal of counterfeit listings from the marketplace?

Mitigating the risks posed by the black market requires

manufacturers to have an accurate process for identifying counterfeit listings. Market Track's CyberAnalyst™ filters through online product listings and ranks those with the highest likelihood of delinquency based on Market Track's risk indicators and client-specified rules. Manufacturers must also have an effective method to enforce the takedown of illicit listings. Market Track clients submit enforcement requests through CyberAnalyst™, and Market Track enforces the removal at over a 90% success rate.



Do we know everywhere our products are sold online? Can we successfully enforce the removal of our products from unauthorized seller sites?

Manufacturers need a comprehensive look at the eCommerce marketplace in order to diagnose and solve for their grey market issues. They must have an efficient way to identify all retailers and resellers selling their products online. Market Track's CyberAnalyst™ provides visibility into the global open market, monitoring all site types and extracting detailed information about the sellers, the products, and the individual listings.



How do we make meaningful progress towards better pricing compliance? Removal of grey/black market listings? Price leadership?

Without the right resources in place, the size and scale of the eCommerce marketplace makes it extremely difficult to address the risks of intra-day price changes, MAP violations, and brand protection across all resellers and products. What's more, new online resellers and products pop-up across the globe every day. Retailers and manufacturers need a solution that can identify everywhere their products are being sold online, and the pricing and merchandising details of each listing. Market Track's eCommerce solutions extract and process over 20 million listings each day from thousands of online retailers, marketplaces, and other site types. Market Track has helped retailers with hundreds of thousands of SKUs improve the management of their full assortment using the fastest, most comprehensive eCommerce tools in the industry.