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TWO CATEGORIES BUCKING THE TREND OF AMAZON'S DIGITAL DOMINANCE

There is little doubt that Amazon currently reigns supreme as the undisputed heavyweight champion of eCommerce. In terms of turnover and traffic, Amazon commands numbers unmatched by any of its rivals, recently posting record-breaking earnings for Q2-2018 to set it on its way towards a $1 trillion valuation. In terms of service innovation and pioneering new technologies, Amazon sets the trends that everyone else follows.

Salmon's new report *The Future Shopper: 2018 and Beyond* provides an in-depth insight into Amazon's appeal from the perspective of the people who matter most in retail – consumers. Interviewing more than 3,500 regular online shoppers from the UK and the USA, our study peels back the lid on where people prefer to shop online, and why.

Overall, we found that half of all online shopping journeys (51%) start on Amazon. In the US, an astonishing 70% of digital consumers say they are most likely to make a purchase through Amazon, compared to 43% in the UK. Across the two countries, a third of respondents estimate that they spend more than half of their online budget through Amazon. Three quarters of US digital shoppers are Amazon Prime members.

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These figures and many more in The Future Shopper report paint a compelling picture of Amazon's digital dominance. And yet when we dig into shopping trends and habits by retail category, we find things become much more nuanced and less black and white. In grocery, for example, large supermarket chains continue to command the retail space both online and off, with more than a third (36%) of online shoppers telling us they used retailer sites compared to just 19% who used marketplaces.

In grocery, large supermarket chains continue to command the retail space both online and off, with more than a third of online shoppers using retailer sites

For the purposes of this article, we will focus in on two other categories where the dominance of Amazon and other online marketplaces is not quite so clear cut. Across Health & Beauty and Home retail, we will reveal how consumer preferences are keeping traditional retailer eCommerce, brands' own direct-to-consumer (D2C) and offline channels relevant. We will dig into how these trends play out across different demographic groups, and underline how consumer behaviour continues to support a balanced omnichannel strategy.

Health & Beauty: Traditional Retailers Hold Ground

In Health & Beauty online retail, our Future Shopper survey found there was very little to choose between marketplaces and retailer sites in terms of consumer popularity. A third of digital shoppers (33%) expressed a preference for buying health and beauty products from marketplaces, compared to 30% who prefer retailer sites. Almost a quarter (23%) don't buy health and beauty goods online at all.

In the UK, the gap is even narrower. 3 in 10 UK respondents use retailer sites for online health and beauty shopping, while the same proportion don't shop online at all in this category. These figures were marginally higher than the 29% who said they prefer marketplaces.

3 in 10 *UK online shoppers use retailer sites for health and beauty shopping, but marketplaces come in close to this at 29%*

This is significant because, although Amazon is overall the online destination of choice for fewer UK shoppers than in the US, rival marketplace eBay is also very popular in the UK. The auction site was named as the most likely place they would make a purchase by one in five (19%) British digital shoppers. So the fact that, even combined, Amazon and eBay don't enjoy an advantage in UK health and beauty retail shows just how much the category deviates from the trends seen elsewhere.

Our survey figures also suggest that the preference for marketplaces or retailer sites in buying health and beauty products could be dependent on age. Amongst the youngest age group we surveyed (16 to 24 year olds), 32% preferred retailer sites compared to 26% who said marketplaces. In the oldest age group (over 55s), this was reversed, with 30% using marketplaces compared to 21% using retailer e-stores.

Amongst the 35 to 44 and 45 to 54 age groups, there was nothing to split the two channels. In the critical millennial age group (25 to 34), however, we found a preference for marketplaces (38%) over retailer sites (32%). Any relationship between age and preference for one channel or the other is therefore not entirely black and white.

What is more clear is that older shoppers are more likely not to buy health and beauty goods online at all. The figure was as high as 44% amongst over 55s, and 35% for 45 to 54 years olds. This drops to just 10% amongst millennials.

It is also evident that younger shoppers are more likely to use D2C channels – 18% of 16 to 24 years olds, and 20% of millennials said they bought health and beauty products direct from brand eCommerce sites.

Home Goods: Channel Preference a Matter of Age

In the Home retail category, marketplaces enjoy a greater level of dominance than we see in Health & Beauty. Sites like Amazon and eBay were picked out as their channel of preference by 42% of shoppers. This compares to 30% who said retailer sites.

These figures were more or less consistent across UK and US respondents, with the main difference being that more UK shoppers said they don't buy home items online (18% compared to 11% in the US), while US shoppers showed a greater preference for D2C options (16% compared to 11% in the UK).

What our results did reveal, however, was that the preference for buying home items from marketplaces was skewed towards older shoppers. Amongst 45 to 54 year olds, 48% said they mainly used marketplaces compared to 27% who said retailer sites, and amongst the over 55s this widened to 50% saying marketplaces compared to 24% for retailer sites.

This gap was much narrower in other age groups. In the 35 to 44 year old group, 41% said marketplaces compared to 33% who said retailer sites, and amongst millennials the figures were 38% for marketplaces and 32% for retailer sites. Then in the youngest age group, 16 to 24 year olds, more said they preferred retailer sites (32%) than marketplaces (29%).

We also noted a considerably higher proportion of younger consumers using D2C options – 19% of 25 to 34 year olds, 15% for 16 to 24 year olds and 14% for 35 to 44 year olds. This dropped suddenly to just 7% in the 45 to 54 age bracket, and 4% of over 55s.

We also found that female shoppers were more inclined to use retailer sites to buy home goods (33%) than male (27%), but more men prefer using D2C options (15%) than women (11%).

Conclusion

There is a lot of concern across retail about the dominance of online marketplaces in general, and Amazon in particular. Brands and retailers alike agonise over the best strategies to compete with the global giant, or whether they should just concede and base their online strategy around Amazon.

While our Future Shopper report confirms just how popular Amazon is with digital consumers, it also reveals that there is a more complex story at play when you dig into shopping behaviours. While three quarters of consumers (76%) told us they were excited by the prospect of buying all their goods from a single online channel – a model that favours marketplaces – across Health and Beauty and Home products, we saw a majority still using non-marketplace channels.

In Health and Beauty retail in particular, there is nothing to choose between marketplaces and retailer sites in terms of consumer preferences. If anything, the very youngest digital shoppers (16 to 24 year olds) seem to gravitate towards retailer sites, while there is a marked increase in the use of D2C options amongst consumers in this age group and amongst millennials.

Although marketplaces do stand out as more popular in the Home category, it is again noticeable that they enjoy a less dominant position amongst younger shoppers. In fact, retailer sites once again proved more popular than marketplaces, while use of brands' own sites was on a par with Health & Beauty.

These two categories underline that Amazon and other marketplaces cannot be ignored and must form part of a robust eCommerce strategy. But equally, they show that other channels retain their importance, especially amongst younger shoppers where, in some cases, retailer sites are more popular than marketplaces and D2C options are on the rise.

Based on these trends, a balanced omnichannel approach is the logical solution if you want to future proof your digital retail footprint.

Salmon, a Wunderman Commerce company, has a team of eCommerce multichannel experts who are working with leading brands to address both the opportunities and challenges addressed within this article. These are explored amongst other key themes in its ground-breaking, new report "The Future Shopper". **Download your full copy here**.

In this report, we asked over 3,500 consumers from the US and UK aged between 18-64, and who shop online at least once a month, about everything from automated purchasing and the dominance of Amazon, to the rise of voice-activated devices and the shifting shopper priorities.

Read the full report "The Future Shopper – 2018 and beyond"

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