FMAINGRET.COM

ECOMMERCE NEWS

SEPTEMBER - OCTOBER 2023

BY

FRANÇOIS MAINGRET

fmaingret.com

Francois Maingret

Foreword

Becoming a lawyer is many people's dream. For me, this sounds more like a nightmare. Why would I voluntarily sign up for a lifetime of arguing?

However, I must admit that I really enjoyed reading about the past two months regulatory issues in the Ecommerce world. First, in Southeast Asia, with Indonesia taking action against social commerce. Then, in the US, primarily with the FTC lawsuit against Amazon, but also involving Choice Hotel International and its use of drip pricing.

E-commerce is evolving rapidly, with governments aiming to maintain fair competitive environments. It is also more popular than ever, and industry giants are offering more and more 'Prime Days' type deals. These events are highly popular and a major deal many for sellers.

I am looking forward to hearing about retailers strategies for the holiday season, but the past two months had been already very exciting. I hope you'll find the recent e-commerce news as captivating as I did

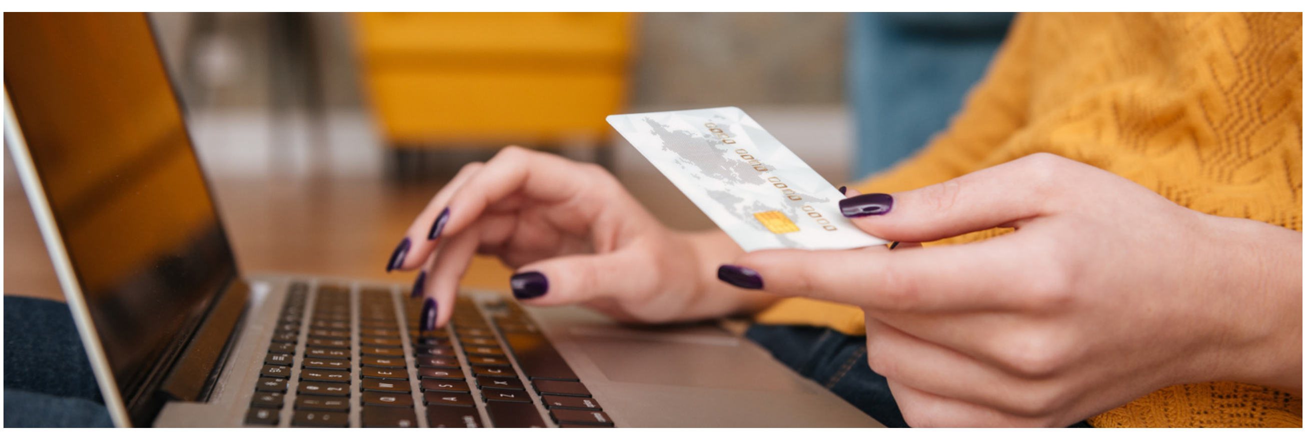
François Maingret

Table of Contents

SEPTEMBER 2023

DEEP DIVE

OCTOBER 2023



SEPTEMBER 2023

TIKTOK SHOPS VS. AMAZON INSPIRE THE E-COMMERCE BATTLE OF 2023

I am fascinated by the increasing competition between social media platforms and online marketplaces. In a recent piece, I wrote about the concept of omnichannel e-commerce and how the distinction between sales channels is blurring. However, it seems that figuring out who is engaged in ecommerce and who is doing social media is becoming increasingly difficult.

Rumors suggest that TikTok may ban links to external ecommerce websites like Amazon, which could be another step towards having a significant role in the US ecommerce landscape. Despite projected losses of half a billion dollars in the US this year, TikTok expects to increase daily sales on TikTok Shops from $3 million currently, to $10 million by the end of the year. They have a long way to go if they want to compete with Amazon's huge catalog, even though they're making progress in attracting sellers onto their platform.

On the other hand , Amazon is entering TikTok's domain by introducing a TikTok-style shopping feed. The goal is to drive customer engagement and tap into the #TikTokMadeMeBuyIt audience. While TikTok struggles to offer Amazon's shopping experience and product variety, Amazon has difficulties attracting influencers and getting users to create engaging content. Amazon was even mocked recently on social media for offering influencers "up to $25" per video.

The outcome is still unclear, especially when TikTok will need to become profitable and potentially charge higher fees for their services. However, observing these two titans continuously reshape the e-commerce landscape is truly captivating.

AMAZON BUY WITH PRIME NEW FEATURES AND WHAT THEY MEAN FOR ENTREPENEURS

Back in April 2022, Amazon launched their "Buy with Prime" program, allowing sellers to offer customers shopping on their website the option to make purchases using their Amazon Prime accounts and receive items through Amazon's sophisticated fulfillment network. The goal was to generate additional revenue for Amazon, gather data, and compete with platforms like Shopify.

Amazon has now introduced two new features to their "Buy with Prime" program: Buy With Prime Cart and Buy with Prime Assist. Buy with Prime Cart enables customers to add multiple items to their cart at once, replicating a more traditional shopping experience. Buy With Prime Assist enables sellers to provide Amazon customer support at no extra cost. Customers can engage in chats with Amazon customer service representatives to inquire about shipping, orders, and returns.

In my opinion, Amazon aims to expand even further and establish a more prominent presence in the e-commerce world. Buy with Prime Assist aims to replace a portion of the seller's customer service experience with Amazon's. On one hand, Amazon offers excellent customer service that is available 24/7, which many customers appreciate. This can also be a valuable resource for smaller companies with limited time and resources to outsource customer service.

On the other hand, offering unique customer service can be a way for companies to differentiate themselves from what may be perceived as a "faceless corporation." It can also lead to customer confusion regarding whom to contact regarding their orders and the nature of the entity they are dealing with. Buy with Prime Cart contributes to Amazon's integration into retailers' websites and streamlines the shopping experience.

Amazon claims that the Buy with Prime program can increase conversions by up to 25%, and I believe this to be true. Customers are so fond of shopping on Amazon that many of them search for an item online, find it on a company's online store, and then head to Amazon.com to make the purchase. In 2022, over 60% of their Gross Merchandise Value (GMV) came from third-party sellers, and Amazon is determined not to lose ground to other platforms like Shopify.

While a 25% increase in conversions may sound tempting, I believe sellers should carefully weigh their options. In many cases, not utilizing Amazon fulfillment and Buy with Prime can have a detrimental impact on their sales and margins. However, employing these services can potentially diminish the customer experience, negatively affect brand identity, and complicate the process of building lasting relationships with customers.

NAVIGATING THE HOLIDAYS ECOMMERCE SHOWDOWN OF WALMART AND AMAZON

Chances are, you've heard about Amazon's Big Deal Days, that magical event that makes our wallets lighter. But do you know about Walmart's Holiday Kickoff sale? Planned from October 9th to 12th, this event will overlap with Amazon's own sale on October 10th and 11th. Walmart has big plans to increase its ecommerce presence and also said it generated over $80 billion from ecommerce in 2022, which is a 9% growth. That is better than Amazon's overall ecommerce revenue growth of less than 6%.

Walmart had already competed with Prime Days earlier this year through their Walmart+ week. This time, they've sweetened the deal by opening their event to non-Walmart+ members.

Now, the real question is: What do these holiday sales mean for third-party sellers on these marketplaces? Obviously, sellers should anticipate a massive surge in traffic on both platforms and an opportunity for increased sales. Millions of shoppers hunting for deals will be ready, which is a great opportunity to kickstart new products or clear out old inventory.

On the flip side, as customers are expecting great deals, sellers will aggressively offer discount and start price wars, making it difficult for companies to maintain their profit margins.

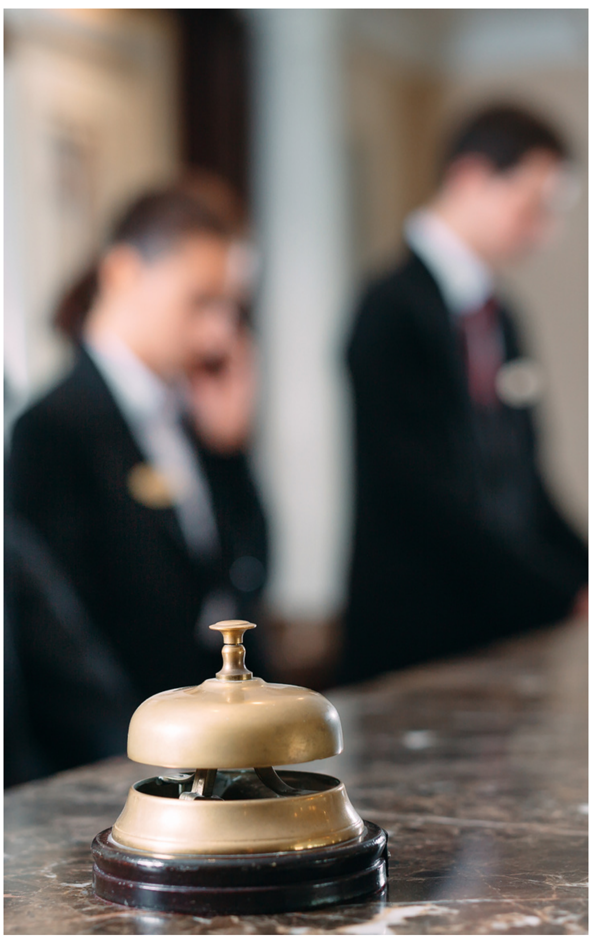
Also, the cost of paid advertising on both platforms tends to sharply increase during these events, as sellers aim for maximum product visibility.

Should all companies participate in these events? While these offer massive potential, they also come with their share of challenges, and each seller will need a well-crafted strategy. Beyond understanding the dynamics of these important days, preparation is the key to success. Sellers must come up with their game plan for these events and ensure their supply chain is ready. Managing inventory can be especially difficult, with potential disruptions at fulfillment centers. Not enough inventory can mean missing out on sales, while overstocking may cause higher storage fees when these events are over. Order fulfilment can also become difficult if there is a huge surge in orders.

This year, it will be exciting to see what will happen on Walmart.com during their Holiday Kickoff sale, and see what strategy different sellers will go with.

CHOICE HOTEL INTERNATIONAL'S DRIP PRICING CONTROVERSY

A STRATEGY WE ALL LOVE TO HATE



Don't we all hate it when we see a hotel room, plane ticket, or concert ticket at an attractive price, only to be hit with a million extra fees during checkout? Convenience fees, payment processing fees, because-we-can fees, and various fuck-you fees makes a miserable shopping for customers. That delicious $12 burger you found on the food delivery app? $40 after various fees, delivery, and tip. And what's this? An "e-ticket delivery fee"? Receiving your football game tickets via email now comes with a price tag.

This controversial pricing strategy is called "drip pricing". Recently, Choice Hotel International found itself in hot water with the Colorado Attorney General's office for its use of this strategy.

Drip pricing strategies involve gradually revealing additional fees and charges to consumers as they progress through the booking or purchasing process. This tactic is heavily employed in the hospitality industry, and Choice Hotel International was accused of misleading customers regarding pricing. As a result, it becomes difficult for customers to figure out the true cost of a service or product.

It's quite easy to understand why businesses use drip pricing. Offering a low initial price can grab the interest of price-focused customers. It also makes the business appear more affordable than its competitors, driving more traffic to their websites. Ultimately, a customer who is already halfway through the checkout process is more likely to accept extra fees and buy, rather than someone who sees with a higher initial price before even starting the checkout process.

Of course, there are downsides. Drip pricing negatively affects a business's reputation (I don't think I know anyone who has a positive opinion of companies that resell sports event tickets), and it causes frustration for customers. But why aren't transparent companies more successful? Unfortunately, some studies have shown that customers would rather pay extra fees due to drip pricing than face an initially more expensive product with no hidden charges.

In response to the investigation, Choice Hotel International agreed to make important changes, including displaying all the fees and final prices in their advertisements. They now must provide accurate pricing information to online travel agencies and other third-party reservation services. This sends a clear message that regulators are looking at this practice and taking action to protect consumers.

We can't predict whether this marks the beginning of the end for drip pricing or if we'll see even more "convenience fees" and "order processing fees" on every purchase we make. Ultimately, it's essential, as consumers, to understand these practices to make the best possible decisions. As entrepreneurs, we must also understand what it means to use drip pricing, its advantages but also the risks on reputation, customer satisfaction, and the perspective of regulators on this strategy.

IS SOCIAL COMMERCE A THREAT TO BRICK-AND-MORTAR STORES? UNPACKING INDONESIA'S RESPONSE

In the latest news, the President of Indonesia has announced that his country is considering issuing new regulations regarding social commerce, the use of social media for direct online product sales. The main reason behind these potential regulations is the concern over predatory pricing and unfair competition that offline businesses might face.

While specific details about the regulation were not provided at the time, the Indonesian government expressed a desire to separate social media and ecommerce, and explicitly targeted TikTok. The Chinese company is rapidly expanding its presence in the ecommerce world, with Tiktok shops, and is investing billions of dollars to compete with other ecommerce giants, including Amazon.

Until we heard about the details of these regulations, I found two things interesting about this article: what could have triggered Indonesia's concerns, and TikTok's response to this announcement.

IS SOCIAL COMMERCE A THREAT TO OFFLINE BUSINESSES?

Why would social commerce be a threat to offline businesses? The Indonesian government mentioned that sellers on social media could have an unfair advantage regarding pricing. While it is true that online sellers tend to have lower overhead costs, they also have to pay for shipping, and marketing to drive traffic to their pages. Other advantages of social commerce include the convenience to order remotely, the wider reach of an online presence, or the social validation coming from reviews and users recommendations.

But traditional ecommerce enjoy similar advantages, so why is Indonesia targeting specifically social commerce? It is difficult to tell at this stage, but two factors could be at play: 1 – Traditional Ecommerce is too big to see new heavily impacting regulations and 2 – Customer behavior is changing, with Statista estimating that sales via social media will reach $1.3B in 2023 and over $2B after 2025.

In my opinion, offline channels will need to adapt to this changing environment. Not only do they have the possibility to develop their own online channels, brick and mortar stores still have several advantages over online channels. This includes an immersive in-store shopping experience, no shipping delays or fees, the opportunity to physically engage with products and try them before buying, or the opportunity for social interactions.

TIKTOK'S RESPONSE TO INDONESIA'S CONCERNS.

The second thing I find interesting is how TikTok responded to these news. According to a Reuters article, "A TikTok Indonesia spokesperson on Monday said that social commerce was important for local sellers and helps connect them with local creators who can direct traffic to their online shops." This statement highlights some of the positive aspects of social commerce, and it is clear that millions of entrepreneurs can benefit from it. However, I would like to consider a potential misalignment between TikTok's goals and those of offline sellers. A social commerce platform like TikTok relies on Sellers joining the platforms to generate money off advertising, fees and increased traffic.

t may have little interest in driving traffic from TikTok to retail stores, but would rather capture offline customers and get them to buy on their platform instead.

Social commerce can be an important piece of an omnichannel model, but I sometimes wonder about the future of the "Social" part of social commerce. I believe that platforms will keep encouraging customers to interact with each other through comments, reviews, videos or other features). However they may also try to limit interactions between buyers and companies. Amazon restricts communication between customers and its 3rd party sellers, so customers don't purchase from the brand D2C websites. I think there is a good chance social commerce will follow a similar plan, as platforms will try to maximize revenues from selling fees and advertising.

UPDATE

INDONESIA'S BAN

ON SOCIAL COMMERCE

THE IMPACT ON CONSUMERS AND SOCIAL COMMERCE GIANTS

Have you ever heard the term "TikTok brain"? TikTok videos, reels, and other short formats are killing our attention span, and there is now a name for this phenomenon. In fact, nearly 50% of users surveyed by TikTok said that videos longer than a minute long were "stressful". ONE minute is stressful now?! In addition to shrinking our attention spans, short videos are highly addictive, with the average TikTok user spending a whopping 95 minutes a day on the app. With this data in mind, it is no surprise that the recent TikTok ecommerce venture, TikTok Shops, is successful. But this success might be short-lived in some countries, with Indonesia very recently banning shopping transactions on social media apps.

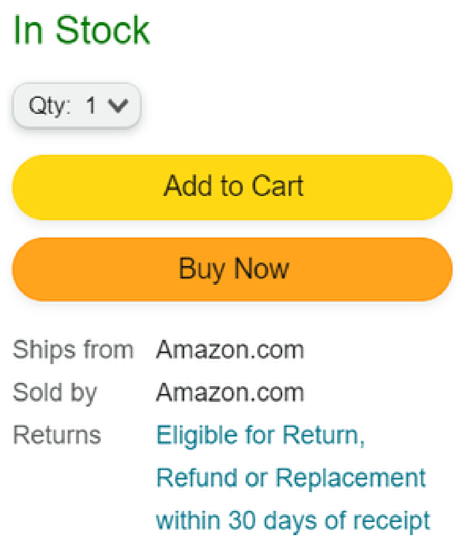
THE PSYCHOLOGY OF TIKTOK SHOPS PURCHASES

Let's first analyze the mechanics behind TikTok shops purchases. Typically, there are two big types of purchases: emotionally driven and rationally driven. Emotionally driven purchases is when you walk by a bakery, you see a delicious slice of chocolate cake in the window, and get in the store to buy it. You don't ask for the full ingredients list, you don't compare prices with other nearby bakeries, you don't call your uncle for advice on the chocolate cake market. Instead, you get in line, spend a little money, and leave the bakery within minutes,]your slice of cake in hand.

On the other hand, rationally driven purchases involve more thoughts and research. When buying a car or expensive power tools, consumers invest more time to compare their options. While you are unlikely to buy a car off TikTok shops, a sweater or skincare item may be a lot more tempting. Consumers are exposed to hundreds of short, exciting videos, and it can be difficult to resist making these impulsive, emotionally driven purchases. TikTok shops have remarkably reduced some of the friction previously involved with social commerce, enabling users to make purchases without even leaving the app.

THE IMPACT ON TIKTOK AND HOW FRICTION AFFECTS SALES

Indonesia recently decided to ban shopping transactions directly made within the app. Sellers can still promote products, and direct consumers to alternative platforms to make the purchase. This does not sound like a big deal, but believe me, it is.



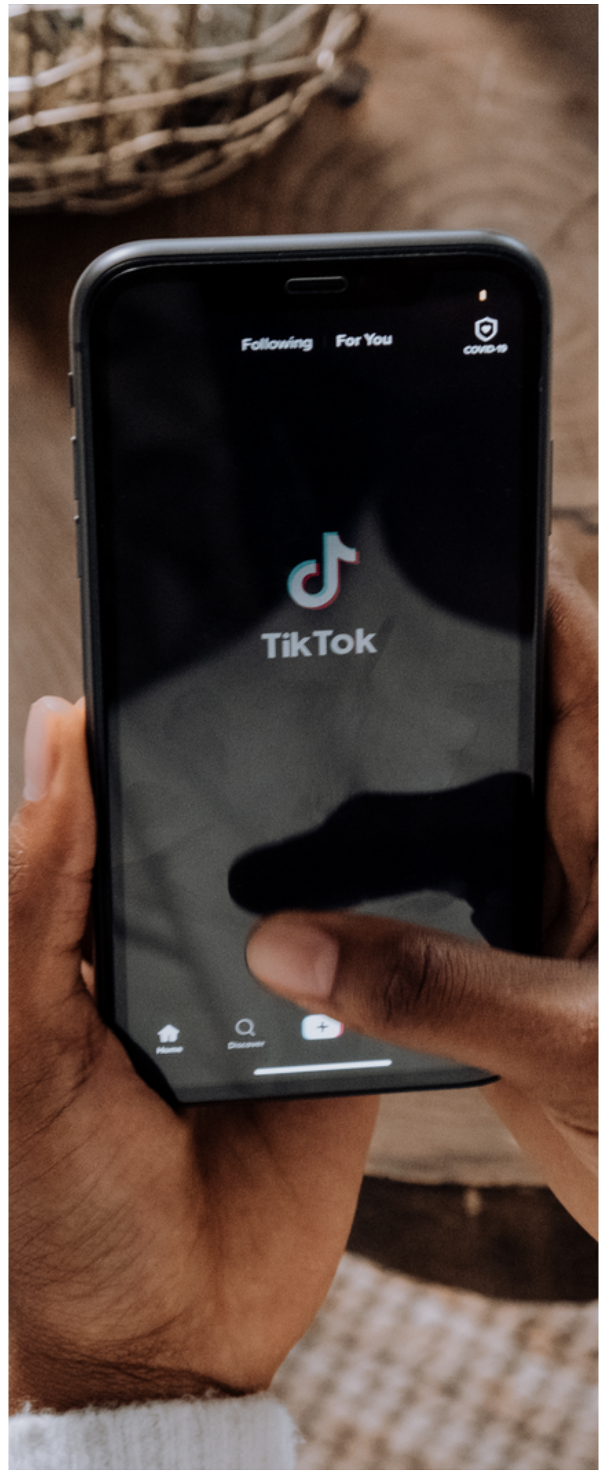
Amazon's "Buy Now" button

Over the years, ecommerce platforms are making tremendous efforts to make the purchasing processes as easy as possible. The emergence of One-click purchase buttons (such as the Amazon "Buy Now" button), streamlined checkout processes or saved payment methods contributed to a smoother, faster purchase experience.

The idea that customers now have to login to a different platform, and potentially go through a typical checkout process (maybe even creating an account in some cases) is a disaster for TikTok and its 3rd party sellers. When mostly dealing with impulsive purchases, time and efforts required work against the seller. The greater the friction during the purchasing process, the lower the conversion rate. It is no surprise that TikTok is pushing back against these new regulations. The Chinese platform, as well as other industry experts, argues that banning social commerce and in-app purchases will stifle innovation and impact millions of sellers.

THE CONTROVERSY OF REGULATING ECOMMERCE INNOVATION

TikTok has very ambitious plans with its TikTok shops feature, not only with Indonesia's young population and its 100 millions users, but in other countries as well. I believe that other countries are closely watching what is happening in Indonesia, and these new regulations can potentially throw a wrench in TikTok's plans. My personal views on the subject are conflicted. The laser-targeted For You page and past paced content can be seen as predatory.



Many young consumers are already struggling with social media addiction, the addition of frictionless purchasing options can be detrimental to their mental and financial health. On the other hand, the TikTok model represents a massive innovation in the ecommerce field, and a good opportunity for people to discover new products and hear video testimonials from the community.

Regulating innovation can be controversial and a difficult issue. Now that a large country, and strategic region for TikTok, has taken action, it will be very interesting to see how other nations will react, and what will be ecommerce giants' response.

DEEP DIVE

Amazon in Hot Waters

A Focus on the Recent Antitrust Lawsuit

Did you know that even when shoppers discover a product they like on a retailer's website, 90 percent of them still compare it with Amazon's offerings or prices? It shows how bug Amazon's influence is in the ecommerce landscape and why they strive to offer the best deals to their customers. However, if you've been reading the news, you likely know of the antitrust lawsuit that has brought Amazon under scrutiny.

Having spent many years as a seller on Amazon in multiple countries, I was very interested to hear more about it. The lawsuit accuses Amazon of using monopoly power to push higher prices for consumers, overcharge its 3rd-party sellers, and stifle competition. I would like to go through the key parts of the lawsuit, and reflect on what can be done to improve the situation for all stakeholders, including customers.

There are three points in the lawsuit I find especially interesting:

- The tactics Amazon allegedly uses to ensure third-party sellers don't offer the same items on other online channels at a lower price.
- The accusation that Amazon shows preferential treatment towards its proprietary brands and makes shopping confusing for customers by bloating search results with sponsored listings. This would also forces sellers to heavily invest in advertising if they want to generate sales.
- The allegation that Amazon puts pressure on sellers to use its logistics and fulfillment services, resulting in Amazon getting half of the sellers' total revenues.

BATTLE FOR THE BUYBOX: HOW AMAZON MAINTAINS THE LOWEST PRICES ON ITS PLATFORM

Every Amazon seller knows it well: 'Having the Buybox' on Amazon can make or break a business on the marketplace. The BuyBox is a very important section on a product detail page, where customers can directly add items to their shopping carts and make a purchase.

If you have the Buybox, it means that whenever a customer will add an item to their cart, the sale goes to you. However, when multiple sellers offer the same product on Amazon, only one can have the Buybox at a time. Amazon's algorithm will determine which seller wins the Buybox, based on various factors including price, shipping speed, seller rating, and fulfillment method.

Now, enter the recent antitrust lawsuit against Amazon, claimingthat the tech giant contributes to higher prices by manipulating this Buybox and taking it away from sellers who offer lower prices elsewhere. For example, if a company sells a product on both Amazon.com and its own D2C website for $49.99, everything is fine. The company may decide to cut its price on their own website.

After all, they don't pay selling fees to Amazon when selling on their D2C website and enjoy better margins. So they can afford a small price decrease, to attract more traffic to their website. Sounds like a reasonable move, right? Unfortunately, the day they decrease the price by even one penny on their website, Amazon will take the Buy Box away from them. That is a huge deal for sellers; it has been estimated that losing the Buy Box means losing 40% of revenues on Amazon.

According to Amazon: '[...] some of the businesses selling on Amazon might still choose to set prices that aren't competitive. Just like any store owner who wouldn't want to promote a bad deal to their customers, we don't highlight or promote offers that are not competitively priced. It's part of our commitment to featuring low prices to earn and maintain customer trust, which we believe is the right decision for both consumers and sellers in the long run.'

However, while it makes sense not to promote a bad deal to the customer, consider this: what if Amazon's practices inadvertently prevents sellers from offering great deals on alternative channels? In some niches, Amazon third-party sellers already operate on razor-thin margins. Due to various fees, the cost of advertising and logistics, they simply can't afford to offer better prices to their customers on Amazon.

On the flip side, they may be able to offer better deals on other channels, but in fear of losing the Buybox on Amazon, they keep their price the same across all channels. You could argue that they could just quit selling on Amazon. But that isn't an option for many sellers, for whom Amazon is a huge part of their revenues. As one business owner in Alabama mentioned in a mybnc15 article, 'If you're a third-party seller, there's just no other marketplace. There's no comparable marketplace.' He recounted how, in the past, he relinquished 20-25% of his revenue to Amazon, but now, it claims a staggering 50%.

So, does Amazon's approach truly benefit customers by ensuring lower prices, or does it inadvertently prevent its third-party sellers from offering better deals on other channels? Judging this without concrete data is challenging, but it's undeniable that some sellers grapple with the complexities of staying competitive, securing the Buy Box, all while maintaining healthy profit margins. The cost of selling on Amazon continues to rise year after year, compounded by the influx of new competitors into the marketplace. While an industry group contends that many large retail businesses employ policies akin to Amazon's, this particular aspect of the lawsuit has received favorable reception from consumer advocacy groups.

WHAT CAN BE DONE TO IMPROVE THE SITUATION FOR CONSUMERS AND THIRD-PARTY SELLERS?

A clear conflict of interest emerges in the Amazon ecosystem, involving Amazon itself, customers, and third-party sellers. Both sellers and Amazon aim to maximize their profits and market dominance, while customers look for the best possible deals and shopping experiences. What could be done to improve the situation?

The first thing that comes to mind is getting Amazon to stop imposing its third-party sellers to have the lowest prices online on their Amazon listings. This would take some pressure off sellers, who would in some cases raise their prices on Amazon, resulting in Amazon getting more revenues in selling fees. However, loyal Prime customers would not be happy with the higher prices, and may start shopping on other channels, which would hurt Amazon's revenues. Technology makes it easy for Amazon to monitor prices over the internet, and having the lowest prices on some items, in addition to the fast free shipping, contributed heavily to their success.

Lowering selling fees for sellers would certainly help them in the short run, provide relief and increase their net margin.

It would certainly make a difference for customers, as sellers would have an opportunity to offer better deals.

But not only would this strategy hurt Amazon's revenues (Amazon reported third-party seller service revenue of $117.7 billion in fiscal 2022, according to FactSet), I believe the result would be marginal for many sellers. Those with desirable, unique items, and a strong brand would see their profitability increase in the long run if Amazon lowered the fees. On the other hand, in the many commoditized industries, lowering fees would trigger price wars, as sellers would lower their prices to attempt to gain market share.

Lastly, I believe there is a pressing need for more transparency regarding the Buybox attribution algorithm. Sellers need to know who is getting the Buybox, on what criterias, and what they should do to win it. The current opaque system can be very frustrating for sellers, and customers need to make informed decisions regarding who they are buying from. Amazon did a great job providing customers with a pleasant shopping experience, it is necessary that they provide their sellers with a less frustrating selling experience. If it becomes impossible for sellers to compete on the marketplace, this will push them away and limit opportunities for innovation.

$

Amazon reported third-party seller service revenue of $117.7 billion in fiscal 2022, according to FactSet

Is Amazon Now Mostly Ads?

How the Recent FTC Lawsuit Addresses the User and Seller Experience

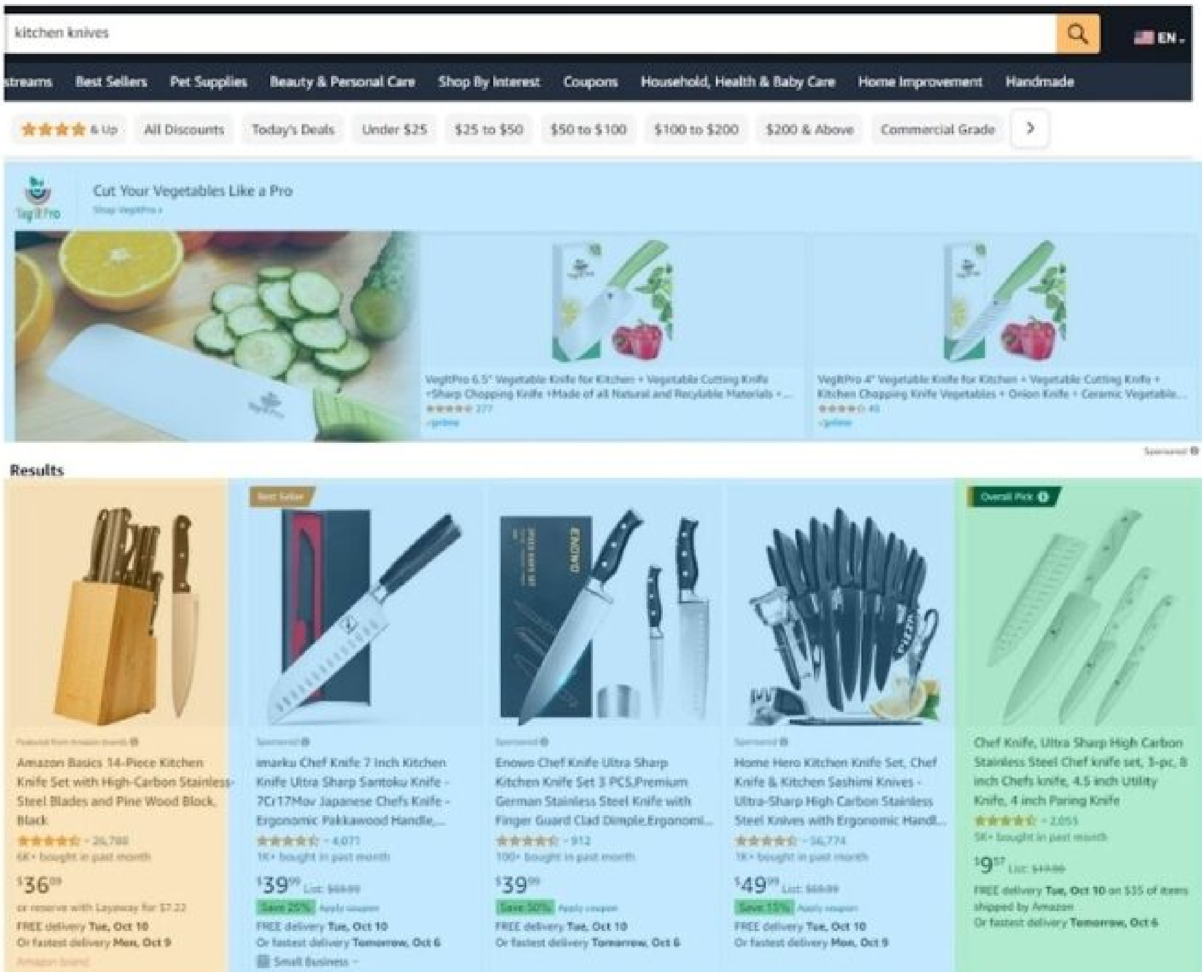
Some people remember their first kiss, others their first time flying, I remember my first Amazon order. It was almost a decade ago, I had just moved to Philadelphia as an exchange student. I remember finding the stupidly expensive textbook I needed for a class on Amazon at 20% of the university bookstore price. This is when my journey with Amazon began.

Back then, Amazon US already offered a huge selection of products, compared to European marketplaces. I was fascinated by how easy it was to find unique products and great deals. And let me tell you, things have changed. Sometimes, I'd like to go back in time and analyze the 2014 Amazon to compare it to the current version. As we will see in this article, there were many changes regarding the product search process. Changes so radical the FTC now has an eye on it.

IS AMAZON MOSTLY ADS? A LITTLE EXPERIMENT ON THE USER EXPERIENCE

Aside from my experience selling on Amazon, I often use the platform to shop. My local Amazon drivers are probably tired of stopping by my apartment, but it is just so convenient for many products. Just like the 57% of US consumers who start their online shopping searches on Amazon, I use the marketplace to discover new products.

Over the years, I found that the shopping experience became vastly different. The first page of results used to be full of the popular name brand items, with the occasional ad for lesser known products (sponsored listing). Now, over 50% of the search results are ads, including sponsored products, sponsored brands, and various new ad formats that Amazon continually introduces. I wanted to do a little experiment, and search for "Kitchen knives".

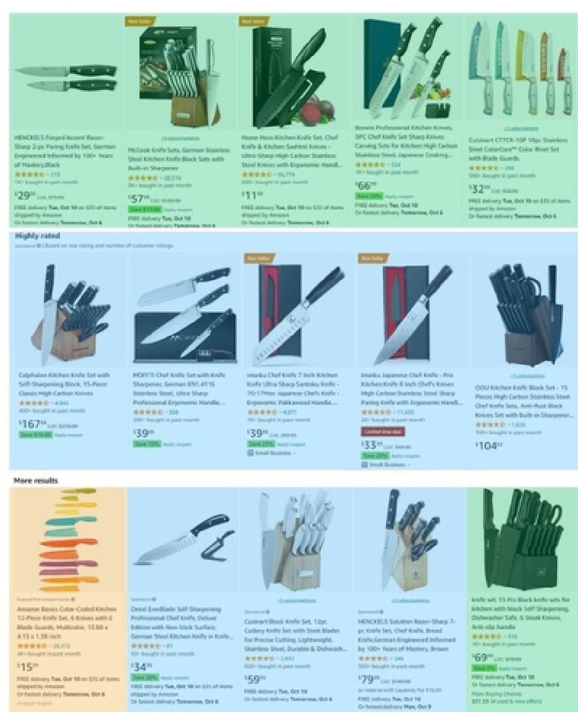


Organic results	Sponsored listings	Amazon's products

Above the fold results

Searching for "Kitchen knives" gets us a sponsored brand ad at the top of the page, followed by an "Amazon basics" listing (we'll get to that later), and finally an organic listing. That is only one organic result above the fold! (Above the fold is the part of the webpage visible without scrolling). Let's scroll down a little to see what happens. Below the fold results are on the right.

As you can see, there is a row of organic results, followed by a row of ads, one Amazon item, more ads, and finally organic results again. In other words, the amount of organic, non-Amazon results is quite limited.



Below the fold results

HOW THIS IMPACTS THE CUSTOMER EXPERIENCE

This situation will have an impact on the customer experience. The multiplication of ads might make it more difficult for customers to find the product they need. For example, if they have a specific brand in mind, they may have to scroll longer to find it (especially on mobile, where screen space is more limited).

Furthermore, it becomes more difficult to discover the most relevant products and the best sellers. While almost two-thirds of U.S. (65%) adults say they are purchasing more generic and store brands to save money, many customers are still attached to name brand names, and want to find them easily. It is also possible that a significant proportion of customers don't know the difference between organic and sponsored products, leading them to make uninformed purchase decisions.

Organic results in green
Above the fold on the left - below on the right

On the flip side, advertising allows customers to find out about products they would never come across if they only saw the best sellers every time. I have personally bought advertised, off-brand products in the past, and had mostly positive experiences. Balance is the key, and an optimal customer experience should display only the right proportion of ads.

I am certain that Amazon strives to offer their customers a pleasant shopping experience, but I know that they also don't want to miss out on ads revenues: Recent reports suggest that their ads revenues may hit $10B in 2023, and it is clear that these are a key piece of Amazon's strategy.

CONSEQUENCES FOR SELLERS

The primary consequence for sellers is of course increased advertising costs. If the marketplace shifts towards a pay-to-win model for sellers, they have to spend extra on advertising to gain visibility and generate sales. This is especially true for new sellers and new brands that lack reviews and have poor organic rankings. Combined with the ever increasing costs per click, it makes it difficult for new listings to compete with established offers.

Sellers may consider increasing their prices, to secure more advertising budget. However, this approach not only disadvantages customers but also exposes sellers to price competition from rivals. And as we have seen in my previous article, Amazon punishes sellers that don't have the lowest prices across all online channels.
This is a truly challenging situation for sellers, who need to spend more on advertising and more year after year, while facing increases in various Amazon's fees, and potential price increases from their suppliers.

DOES AMAZON GIVE ITS OWN BRANDS PREFERENTIAL TREATMENT?

While this is a controversial subject, Amazon is constantly criticized for prioritizing its own private-label products in search results. Amazon had been accused in the past of using its third party sellers data to develop its own range of products, copying existing products.

Doing so would be considered unfair competition. It would give customers the idea that the product is more attractive than it really is. This would also reduce the space for organic results, and encourage other sellers to spend even more on advertising to gain visibility in the search results.
It is worth noting that the ecommerce giant plans on cutting 27 of its 30 private-label clothing brands, mentioning cutting costs, and due to the current antitrust lawsuit.

Do I think the game is rigged? Yes and no. I believe that dedicating more than half of the search results to sponsored ads makes a worse shopping experience.

However, with the new listings appearing everyday on the marketplace, there is a need for some advertising space on the website. The platform and the search results algorithm should of course show the product the customers need, but I believe they should also display new, innovative products that could be tomorrow's best sellers. Maybe the solution would be a stricter selection of who can sell on the marketplaces, and what products are not needed. It is a complex issue, and Amazon seems to be taking the lawsuit seriously if they are cutting some of their private-labeled brands. Let's hope to see positive changes in the future, so both customers and buyers can enjoy the best possible shopping experience.

What Would A World Without Amazon FBA Be Like?

According to the FTC, Amazon now takes nearly half of every dollar in sales from sellers who use its fulfillment services. Wow, that is quite a bold statement, and I can't help but picture a high school bully stealing lunch money from scrawny kids. But is the situation really this dramatic? In the final part of my FTC lawsuit review, I'd like to go over the allegations concerning Amazon's FBA (Fulfilled By Amazon) program.

IS AMAZON REALLY OVERCHARGING FOR ORDER FULFILLMENT?

The FTC also notes that Amazon has has raised its fulfillment fees by about 30% between 2020 and 2022. When you read these allegations about Amazon's fulfillment services, it may seem like selling on the platform is a pretty bad deal for sellers.

I try to be as objective as possible when expressing my opinion on these issues. While I can get behind the FTC's stance on the Buybox issues, or the ever increasing cost of advertising, I tend to somewhat disagree with the allegation against Amazon FBA program.

First, the fact that sellers using the FBA program pay Amazon close to half of their sales in Amazon fees might be true. But that includes advertising, selling fees, order fulfillment, product storage, shipping, and part of customer service. When a company decides to fulfill the order themselves, they still need to cover shipping costs, fulfillment, packing materials, storage, and more. The difference is the money goes to other vendors, but these costs are real. And logistics costs sharply increased in the US over the last few years, not only at Amazon, but also major carriers and 3rd party logistics companies.

Amazon still offers competitive rates when it comes to shipping and storage fees. Many small businesses would pay a lot more in fulfillment if they had to go with another carrier, because they can't get the same UPS or Fedex rates as Amazon.

I think the real challenge lies in the Amazon prime model, and its fast free shipping on almost every item, no matter its size or price. Customers want low prices and hate paying for shipping. For example, a seller selling a 1lbs item for $15 will pay $5.40 for shipping, and about $2.25 in selling fees. That is already 51% of the sale price paid to Amazon, and excludes advertising, storage, labeling, or inbound shipping.

As the marketplace is becoming saturated, many products, once innovative and unique, turn into commodities. Price wars ensue and are killing many sellers' profit margins. The area where I think improvement could be made is for larger multi-units orders. When a customer orders multiple units, Amazon charges the individual item fee times the quantity ordered. This prevents FBA sellers from making economies of scale. Amazon also makes it difficult to create multipacks (multiple units of the same products bought at once), which is one of the main ways 3rd party sellers can save on fulfillment fees. Both sellers and customers could benefit from a better policy for multi-units orders.

A WORLD WITHOUT AMAZON FBA?

After hearing about the lawsuit, I like to wonder what Amazon would be like without its FBA program.

The first thing that comes to mind is a significant reduction of the number of third party sellers on the platform.

Only 6% of sellers make more than $100,000 per month in sales, with 56% earning less than $10,000. Many of the smaller sellers who don't have their own warehouse or ability to work with a 3rd party logistics company may leave the platform. Others would need to invest in setting up their own logistic network. Such a massive drop in the number of competitors, and the potentially increased costs for sellers, could potentially drive prices higher. On the flip side, less competitors could bring the cost of advertising down for the remaining sellers.

Customers would be impacted as well. Items fulfilled by Amazon are known for their swift shipping and on-time delivery. Amazon is great at order fulfillment, which is key to its success. Without FBA, a Prime membership could lose some of its value, as customers might experience variations in shipping times and quality. Ultimately, this could cause Amazon to lose some of its loyal customers, who shop there for convenience and fast free shipping.

The FTC lawsuit raises some very valid points, although I hold some reservations about the claims regarding the FBA program. It will be very important to follow how Amazon will react. Massive changes in the way Amazon works with its 3rd party sellers can have a major impact on the ecommerce landscape. Customers will also be heavily impacted. With new large companies entering the ecommerce space such as TikTok and Temu, we can expect to see interesting developments happen in the next few years.

https://www.aboutamazon.com/news/company-news/amazon-ftc-antitrust-lawsuit-full-response
https://mynbc15.com/news/local/alabama-business-owner-agrees-with-ftc-lawsuit-against-amazon
https://www.cnbc.com/2016/09/27/amazon-is-the-first-place-most-online-shoppers-visit.html
https://www.packagingdigest.com/trends-issues/americans-are-buying-more-generic-brands-and-making-other-cuts-save-money
https://www.reuters.com/legal/litigation/amazon-copied-products-rigged-search-results-promote-its-own-brands-documents-2021-10-13/
www.junglescout.com/blog/how-much-money-amazon-sellers-make/

RESTORING TRUST IN E-COMMERCE

THE INDUSTRY GIANTS' WAR ON FAKE REVIEWS

Do you take the time to read reviews from other customers before ordering something online? If you do, you're in good company, as about 95% of shoppers do the same. However, you probably know that not all reviews online can be trusted. In the digital marketplace, it is common for unscrupulous companies or individuals to generate fake reviews, either to boost their sales or harm the reputation of their competitors. The proliferation of these deceptive reviews has become a huge problem in the e-commerce world.

That is why six online titans have formed the Coalition for Trusted Reviews. Amazon joined Booking.com, Expedia Group, Glassdoor, Tripadvisor, and Trustpilot to share best practices and fight fake online reviews.

THE PROBLEM OF FABRICATED REVIEWS

Dharmesh Mehta, VP of Worldwide Selling Partner Services at Amazon, emphasizes the importance of customer reviews in the shopping experience in a statement: "Customer reviews are an important part of the shopping experience, and the goal of this coalition is to ensure every review reflects customers' actual experiences."

Other platforms are also taking this issue very seriously. Fraudulent reviews have always been illegal and are a major problem for consumers. Consumers rely on reviews to make informed choices, and these reviews can lead to disappointment, financial losses, and a loss of trust. Legitimate businesses can suffer reputational damage when fake negative reviews are posted by malicious competitors.

This phenomenon is more widespread than you think; Amazon alone removes millions of fake reviews per year from its platform. As an e-commerce professional, I always pay attention to customer reviews, as these are a great source of feedback on our offer. I have seen very obvious fake negative reviews on some of my products, but sometimes these can be more difficult to identify.

Misleading reviews can take many forms, from the most amateurish to the most sophisticated. Malicious actors can create fake accounts to post reviews or even form alliances with other sellers to create more reviews. However, most of the fake reviews online come from specialized companies that offer their services to malicious sellers. There are also more sophisticated ways to post fake testimonials, such as listings hijacking on Amazon or the use of artificial intelligence.

The Coalition and What is Considered a Fake Review

Recognizing the detrimental impact of fake reviews, the Coalition for Trusted Reviews has identified four core areas of focus, according to the Amazon press center.

- Industry Alignment: Developing common standards and definitions for use throughout the industry around what constitutes a fake review and other content moderation nomenclature and measurement.

- Best Practice Sharing: Defining best practices for hosting online reviews and sharing information on updated content moderation processes and methods of fake review detection.

- Information Sharing: Sharing information relating to how fraudulent actors operate, such as companies selling fake reviews to businesses seeking to unfairly and improperly improve their reputations.

- Advocacy: Engaging with academics and public policy leaders to promote the benefits to consumers of review content and support industry efforts to combat fake reviews from being published.

All of these areas will be crucial in fighting deceptive reviews, as this is a complex and widespread practice. It seems like each actor currently has a different opinion on what constitutes a fake review. Paying a company to post five-star reviews on your product under fake identities is obviously fraud. But what about if your friends and family buy your product? And can you ask legitimate customers to review your product in exchange for a discount? Defining what a fabricated review is will be a complex problem, as gray areas exist, and different actors have different ways to collect and display product reviews.

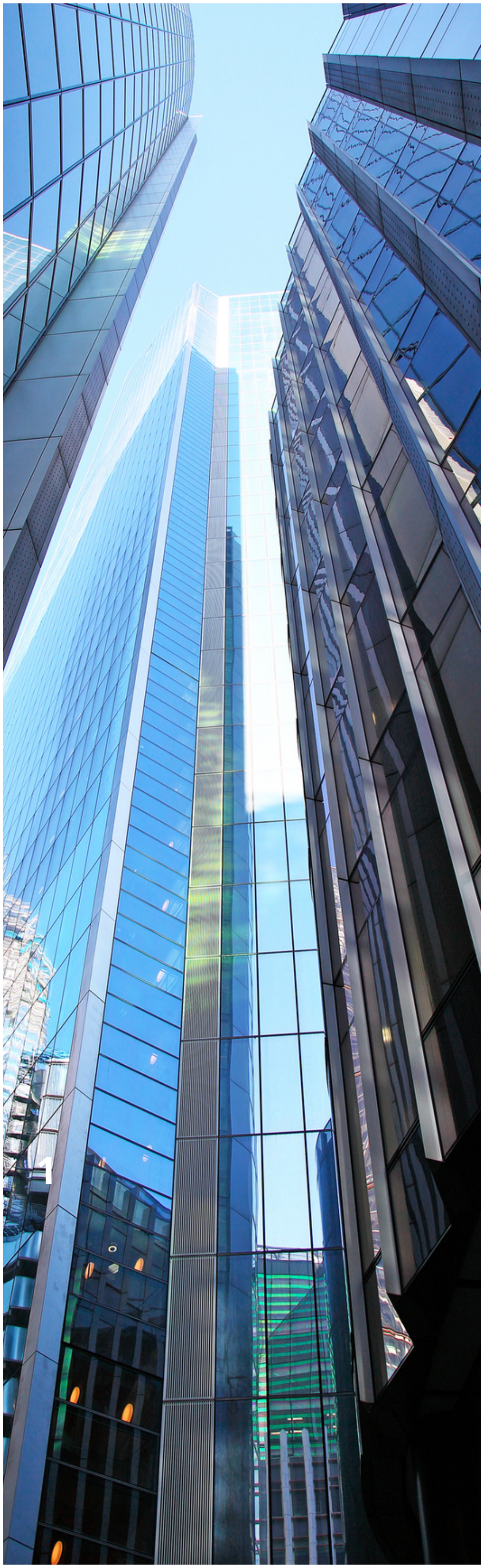
The Federal Trade Commission (FTC) already sees fake reviews as against the law due to misleading customers. Earlier this year, the commission sought to propose new rules defining deceptive online reviews. For example, they define that reviews can't claim to be written by a person who doesn't exist. The FTC is also against businesses removing negative reviews on their offer by threatening legal actions. While gray areas still exist, it is interesting to see that regulators and businesses are looking into this issue. According to Samuel Levine, director of the FTC's Bureau of Consumer Protection: "Regardless of the liability regime, it is in the interests of consumers and the businesses that use these platforms for them to be policing this problem better. They have the most visibility into what's happening, they are often in the best position to stop it, and we want them to be doing more."

WHAT CAN BE DONE TO FIGHT FAKE REVIEWS?

While defining what constitutes a fake review is a good start, most of the challenge lies in countering them. Malicious sellers and actors are well organized and employ advanced technologies to post their reviews. I will be very interested to see how the new coalition will react and what measures we will see. Several tools are currently available to fight fraudulent reviews, even though continuous improvement is necessary to stay relevant amid evolving fraudulent tactics.

Technology will most likely play a significant role. Advanced algorithms, machine learning, and pattern recognition can identify unusual patterns in language and content, such as overly and unusually positive keywords. Algorithms can also look into reviewers' history and detect suspicious accounts, for example, if they post large quantities of overly positive or negative reviews (Online Karens are in reality not as common as the internet may suggest).

When a suspicious review or user is flagged, this data is used to refine and update the detection algorithms. Over time, the algorithms become more adept at recognizing new tactics used by malicious actors. And in the most complex cases, human moderators can jump in and use nuanced judgment.



In addition to technology, companies can set up verification steps to ensure the authenticity of the reviews posted, such as requiring reviewers to verify their identity before they can post. Legal action can also be a way to fight fake reviews. Although going after organizations providing these reviews can be difficult, as they tend to operate from all over the world, it can send a strong message. Websites and platforms taking advantage of deceptive reviews to promote some products over others should also face legal actions for misleading customers.

CONCLUSION

With millions of fraudulent reviews posted every year and the increasing sophistication of technology used by "review farms," tracking and fighting them will be a massive challenge, even for industry giants. The FTC's growing concerns over this issue highlight the negative impact on businesses' reputations. We can only hope that the Coalition for Trusted Reviews will make a difference in the war against fake reviews.

PRIME BIG DEAL DAYS SUCCESS AND A SELLER'S DILEMMA

Everyone has a few products they love, but only buy when they are on sale. Whether it's electronics, luxury fashion, or even our favorite candies, sometimes we just refuse to pay full price, but are quick to pull out our credit card when we see a good deal online. For me, this product is Liquid IV. I feel like it really helps me not be dehydrated after a long flight. I wasn't surprised when I heard that Liquid IV products were among the top sellers during the successful Prime Big Deal Days event on October 10-11.

SURPASSED EXPECTATIONS FOR PRIME BIG DEAL DAYS

This was the second time Amazon held Prime Days in the fall, and this edition outpaced the previous edition last year. Amazon has reported that consumers ordered more than 150 million items from third-party sellers. Over 60% of sales on Amazon come from the two millions third party sellers registered on the marketplace, most of them being small to medium sized businesses. It is clear that Prime Days are a strategic issue for anyone selling on Amazon, as the platform sees a massive, temporary surge in traffic. Let's take a look at how customers reacted to this event, and what the multiplication of Prime Days means for Sellers.

In a statement, Doug Herrington, CEO of Worldwide Amazon Stores, described Prime Big Deal Days as "a strong start to the holiday shopping season, offering Prime members an exclusive early opportunity to save and surpassing our expectations." He also noted that the event outpaced the previous year's holiday kickoff event, with more Prime members participating.

Numerator's report indicates that the average order size during Prime Big Deal Days was $53.47, which was slightly lower than July's Prime Day sale but higher than last October's Prime Early Access sale. This could be due to the event being only 3 months after the more anticipated Prime Days in July. Or maybe because Black Friday is only a few weeks away. But even though customers spent less than in July, witnessed a significant surge in website traffic.

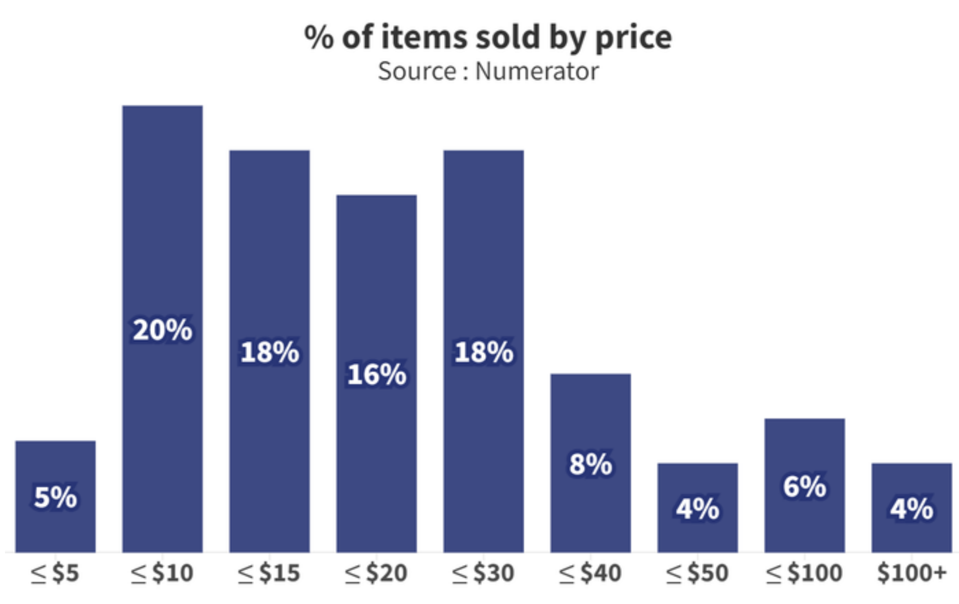
Sellers must prepare for these Prime Days and anticipate how strong will be the increase in the demand for their product. Ensuring that their products will be in stock at all times is crucial to not miss out on sales, but overstocking can be costly, especially with increasing storage costs during the holiday season.

Alternatively, businesses can take advantage of these events to clear out slow-moving inventory. It's worth noting that customers hunting for deals tend to have a Prime membership, and tend to be more loyal to Amazon. This gives sellers an opportunity to showcase their products to many potential returning customers.

Numerator also reports that more than half (60%) of Prime Big Deal Days items sold for under $20, while 4% were over $100— the average spend per item was $27.90.

WHAT IT MEANS FOR SELLERS

Now, let's talk about profitability. These statistics reveal that most items bought were relatively inexpensive, with an average price per item at $17, and many items priced under $15. Sellers already have to pay selling fees, and shipping. On smaller items, shipping fees make up a substantial portion of the sale price.



In addition to the fees, many sellers chose to offer discounts and lower their prices during the Prime Days to boost sales and take advantage of the increased traffic. And because businesses want as many customers as possible to see their products, most of them are also invested in pay-per-click advertising (the cost of advertising tends to increase temporarily, as sellers are competing harder for keywords). You see where I'm going with this - while sales are great, profitability may not always follow for 3rd party sellers.

However, some sellers have profit margins high enough to sustain price cuts while remaining profitable. In other cases, sellers may sell at very low margins, or even at a loss. This can be a deliberate customer acquisition strategy so they will become repeat buyers in the future. If Amazon or Walmart decides to host Prime Days more frequently, this could place even more pressure on sellers to maintain low prices to stay competitive. Customers don't need to buy a new TV every quarter, but many of them appreciate the opportunity to buy household staples at a discounted price multiple times a year.

Is this a positive or a negative for businesses? I'd say it depends on various factors, mostly their brand identity, customers' attachment to the brand, and available substitutes.

When a customer stays loyal to a brand, and is not influenced by discounts on alternative products, Prime Days can be a great deal for that brand. They see increased traffic and don't face intense competition, they can more easily maintain healthy profit margins. On the other hand, when customers are less loyal and more price sensitive, brands need to compete harder to gain sales. Businesses can either stay away from Prime Days and potentially miss out on sales, or participate actively but at the cost of much lower profit margins.

CONCLUSION

Predicting the success of Prime Days can be difficult, as many factors are at play. Amazon is spending tremendous resources to advertise them, businesses must prepare and craft a relevant strategy for their offer and their competitive landscape. Customer behavior is always changing, based on economic conditions and what other major ecommerce players are doing. Only time will tell if these special events will become more frequent in the near future, or if Amazon found the best schedule for the moment.

Halloween's Sweet Treat

Record-Breaking Consumer Spending

Ah, Halloween. That time of the year when children are allowed to trespass with a mask on, and take candy from strangers. It's also the time when adults either wear the cheapest, last-minute costume, or go crazy and compete for the most elaborate outfit. Although there are major differences in how much each customer spends, the Halloween season is still an economic powerhouse.

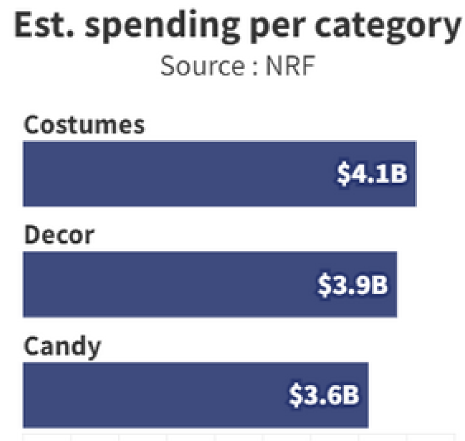
It is estimated that the average consumer will spend $108 in 2023, up from $100 last year. Halloween is a major event for retailers, and customers' interest does not decrease. Let's see how customers shop during the season and how businesses can plan for it.

RECORD HALLOWEEN SPENDING: AN OVERVIEW OF THE $12.2 BILLION ESTIMATE

It is estimated that consumers will spend $12.2 billion on this year's spooky season. This would be the highest amount ever recorded, and a massive growth of 8% compared to last year. It is interesting to notice that the increase over the last 10 years is similar to inflation between 2013 and 2023 (35% vs 32%), although most of the inflation happened in the last three years.

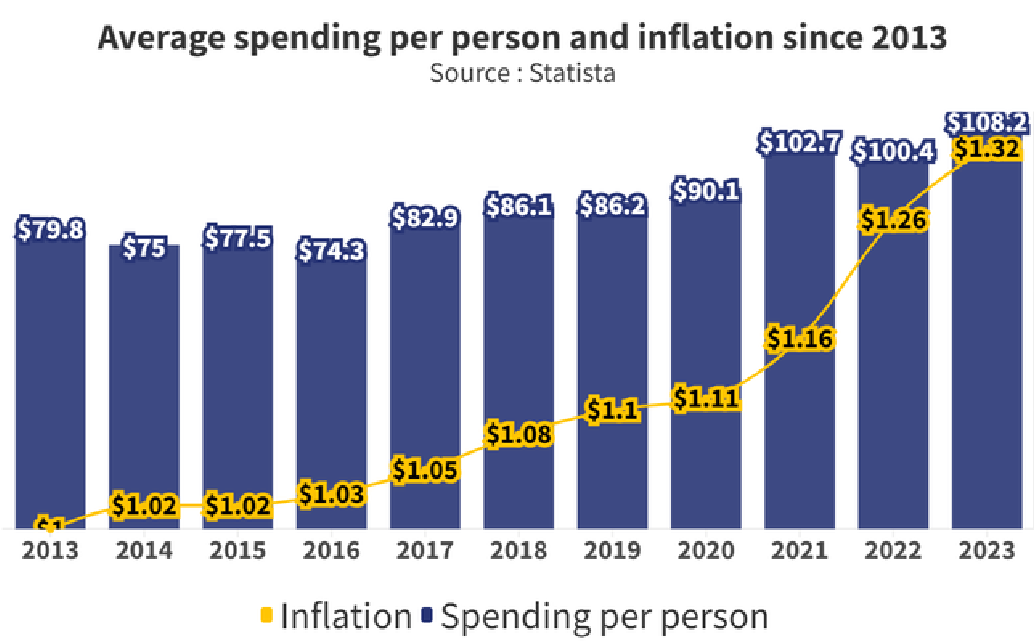
Even accounting for inflation, consumers spent less in the last three years, but Halloween is still a very popular holiday. Customers are shopping weeks ahead. According to Phil Rist, Prosper Executive Vice President of Strategy "Younger consumers are eager to begin their Halloween shopping, with more than half of those ages 25-44 planning to shop before or during September."

When looking at how customers spend their Halloween dollars, the National Retail Foundations estimates a near-even split among costumes, decor, and candies.



While candies are, for the most part, bought at the grocery store, costumes and decors are very popular online. Not only do people tend to buy more stuff online generally, but they also look online for inspiration. It is now so easy to find something you like on social media, click on a link to Amazon and have it arrive the next day. Moreover, early shoppers benefit from easy returns, although the majority still prefer in-store purchases. Impulse buying at major retailers like Walmart and Target remains a prevalent trend.

Halloween purchases are very influenced by pop culture, and we can expect to see many Barbies and Ken at Halloween parties this year.

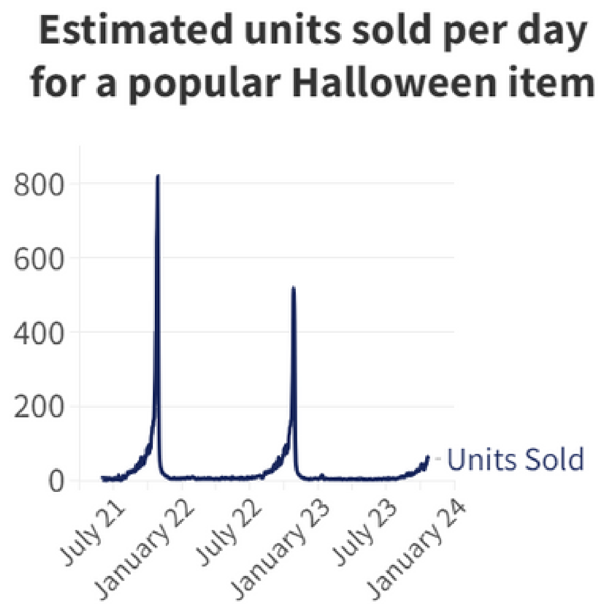


CRAFTING HALLOWEEN MAGIC: HOW BUSINESSES CAN PREPARE FOR IT

Given this massive opportunity, businesses must prepare for this event. Halloween costumes, decor, and to a lesser extent, candies are highly seasonal items. Businesses who sell these items early have an advantage over others, and can for example resort to marketing tactics such as offering deals and discounts for those who buy several weeks in advance.

Timing is key, and it can be very challenging to concentrate efforts when customers are the most ready to buy. As an example, I looked at the estimated daily sales on Amazon for a rather popular Halloween item. It is estimated that the brand sells on average 5 units a day during the off-season, compared to 254 units per day in October – a massive 5000% increase! Sellers can't afford to be out of stock during this very important month, but overstocking would pose a year-long storage dilemma.

A common misconception is that only businesses specializing in candies, costumes, or Halloween decor can reap the season's rewards. In reality, B2C businesses across most industries can find ways to increase their revenues during the event. A bakery can for example sell Halloween themed cupcakes, and share Halloween cookies recipes on its social media. A craft store can offer" DIY costume kits" and create video content on how to craft the perfect costume. A simple display of black and orange may not be enough in attracting customers, but clever and innovative marketing ideas can be game-changers for more traditional businesses.



CONCLUSION

Halloween is not just a day of wearing cool costumes and eating candy; it's a commercial juggernaut, with spending projected to surpass any previous record. As the spooky season approaches, businesses must prepare to tap into this multi-billion-dollar opportunity. Costumes, food, or decor ideas are being shared faster than ever, thanks to media like Tiktok. Customers want to easily go from idea to purchase, which is now possible with social commerce. Even businesses that have nothing to do with traditional Halloween products can take advantage of the season and increase their revenues. Halloween, despite the impending arrival of Black Friday and Christmas, continues to hold tremendous importance for consumers and stands as a crucial opportunity for many entrepreneurs.

https://www.statista.com/statistics/274295/americans-planned-expenditure-on-Halloween-related-items/

ECOMMERCE NEWS

SEPTEMBER - OCTOBER 2023