

# Overcoming Common Challenges in Consumer Goods eCommerce

*Addressing common challenges faced by consumer goods eCommerce businesses and how to overcome them.*

## Audience

*Heads of eCommerce, Shopper Marketing Managers, Content Managers, Performance Marketing Manager, Data & Analytics Managers*

## Abstract

Consumer goods eCommerce businesses face a myriad of challenges in today's competitive landscape, ranging from intense competition and evolving consumer preferences to logistical complexities and technological disruptions. This comprehensive article explores common challenges encountered by consumer goods eCommerce businesses and provides actionable solutions to overcome them. Additionally, the article highlights the importance of customer acquisition and retention strategies, pricing optimization, and ethical business practices in driving sustainable growth and success in consumer goods eCommerce. By implementing strategic solutions and leveraging data-driven insights, consumer goods eCommerce businesses can overcome common challenges and position themselves for long-term success in the dynamic digital marketplace.



# Introduction

In the fast-paced world of consumer goods eCommerce, businesses face a myriad of challenges that can hinder growth, profitability, and customer satisfaction. From fierce competition and changing consumer trends to logistical complexities and technological disruptions, navigating these obstacles requires strategic foresight and adaptability. This comprehensive guide explores common challenges encountered by consumer goods eCommerce businesses and provides actionable solutions to overcome them, backed by relevant facts and figures.

## Intense Competition and Market Saturation

The consumer goods eCommerce landscape is saturated with competitors vying for consumers' attention and wallets. According to Statista, global eCommerce sales are projected to reach \$6.54 trillion by 2022, indicating the immense competition in the market. To stand out in this crowded space, businesses must differentiate themselves through unique value propositions, compelling branding, and innovative marketing strategies.

Compelling branding is another essential strategy for cutting through the noise and capturing consumers' attention. Brands should invest in creating cohesive and memorable brand identities that reflect their values, mission, and personality. This includes designing eye-catching logos, crafting engaging brand stories, and ensuring consistency across all touchpoints, from website design to packaging.

Innovative marketing strategies, such as Performance Marketing, are crucial for staying ahead of the competition. Performance Marketing involves leveraging data-driven insights to optimize marketing campaigns and maximize return on investment (ROI). This could include tactics such as pay-per-click (PPC) advertising, search engine optimization (SEO), and social media advertising, where businesses only pay for actual results achieved, such as clicks or conversions. Additionally, embracing omni-channel marketing approaches that seamlessly integrate online and offline channels can help brands connect with consumers wherever they are in their shopping journey.

By adopting these strategies and continuously innovating, consumer goods eCommerce businesses can carve out a distinct position in the market, attract loyal customers, and drive long-term success.

## Evolving Consumer Preferences and Trends

Consumer preferences and trends continue to evolve at a rapid pace, spurred by demographic shifts, cultural influences, and technological advancements. The COVID-19 pandemic has further accelerated these changes, with McKinsey reporting that 60% of global consumers have altered their shopping behaviors as a result. This underscores the critical importance for businesses to remain agile and responsive to shifting consumer needs and preferences.

To effectively address this challenge, businesses must adopt a proactive approach to understanding and adapting to changing consumer behaviors. This begins with conducting regular market research to gain insights into emerging trends, consumer preferences, and competitive dynamics. By staying abreast of market developments, businesses can identify new opportunities for growth and innovation.

In addition to market research, gathering direct customer feedback is essential for gaining deeper insights into consumer preferences and expectations. This can be accomplished through various channels, including surveys, focus groups, social media listening, and customer reviews. By actively soliciting and listening to customer feedback, businesses can better understand their needs, preferences, and pain points, allowing them to tailor their product offerings and marketing strategies accordingly.

Moreover, businesses must embrace emerging commerce channels that align with evolving consumer behaviors. Platforms such as TikTok have emerged as powerful commerce channels, allowing brands to reach and engage with a younger demographic through short-form video content and shoppable features. By leveraging TikTok as a commerce channel, businesses can tap into new audiences and drive sales through innovative and engaging content.

Another emerging trend is Live Commerce, which combines live streaming video with e-commerce functionality, enabling real-time interaction between sellers and buyers. This interactive shopping experience allows consumers to engage with products, ask questions, and make purchases directly within the livestream. By embracing Live Commerce, businesses can create immersive shopping experiences that foster engagement and drive conversions in real-time.

In conclusion, staying attuned to changing consumer preferences and trends is essential for businesses to remain competitive and relevant in today's dynamic marketplace. By conducting regular market research, gathering customer feedback, and embracing emerging commerce channels such as TikTok and Live Commerce, businesses can adapt to evolving consumer behaviors and seize new opportunities for growth and innovation.

## **Logistics and Supply Chain Management**

Logistics and supply chain management remain formidable challenges for consumer goods e-commerce businesses, especially concerning inventory management, order fulfillment, and shipping logistics. According to Deloitte, 79% of supply chain executives consider optimizing their supply chain essential for business success, highlighting the critical importance of efficient operations in this domain. To tackle these logistical challenges effectively, businesses must adopt a holistic approach that addresses various facets of supply chain management.

Investing in robust inventory management systems is paramount to ensuring accurate inventory tracking, minimizing stockouts, and optimizing stock levels. By leveraging advanced inventory management software, businesses can gain real-time visibility into inventory levels, forecast demand more accurately, and prevent costly stockouts or overstock situations. Moreover,

implementing demand-driven inventory replenishment strategies can help optimize inventory turnover and reduce carrying costs.

Strategic partnerships with reliable suppliers and logistics providers are also crucial for streamlining supply chain operations and ensuring timely delivery of goods. By collaborating closely with trusted partners, businesses can minimize lead times, reduce transportation costs, and enhance overall supply chain efficiency. Additionally, fostering strong relationships with suppliers can provide access to preferential pricing, bulk discounts, and priority allocation of inventory, further optimizing cost-to-serve metrics.

Improving out-of-stocks for the top 20% of products that drive 80% of revenue is another critical focus area for consumer goods eCommerce businesses. By conducting in-depth demand forecasting and inventory segmentation analysis, businesses can identify their high-demand SKUs and implement proactive measures to mitigate stockouts. This may include implementing safety stock levels, establishing buffer inventory at strategic locations, and prioritizing production and fulfillment activities for high-value products.

Furthermore, enhancing order fill rates is essential for meeting customer expectations and driving satisfaction. By optimizing order fulfillment processes, streamlining picking and packing operations, and leveraging technology such as warehouse management systems (WMS) and order management systems (OMS), businesses can improve order accuracy and minimize order processing times. Additionally, implementing automated order routing and fulfillment workflows can help reduce errors and delays, resulting in faster order processing and delivery times.

In addition to the aforementioned strategies, implementing a separate Sales and Operations Planning (S&OP) process is essential, especially for consumer goods eCommerce businesses where the eCommerce contribution may be relatively small compared to the overall business. A separate S&OP process allows businesses to tailor their planning and forecasting activities specifically to the unique dynamics of the eCommerce channel. While traditional S&OP processes may focus primarily on brick-and-mortar retail operations, eCommerce requires a different set of considerations, including fluctuating demand patterns, shorter lead times, and varying fulfillment requirements.

By establishing a dedicated S&OP process for eCommerce, businesses can align their supply chain activities more closely with online sales trends, customer demand patterns, and fulfillment capabilities. This enables more accurate demand forecasting, inventory planning, and production scheduling specifically tailored to the needs of the eCommerce channel. Additionally, a separate S&OP process allows businesses to prioritize strategic initiatives, investments, and resource allocations for eCommerce growth, even if its contribution is currently small compared to other channels.

Furthermore, a dedicated S&OP process facilitates cross-functional collaboration and communication between different departments, including sales, operations, logistics, and marketing, ensuring alignment on key objectives and priorities for eCommerce success. By

integrating insights from various stakeholders and leveraging data-driven decision-making, businesses can optimize their eCommerce supply chain operations, improve customer service levels, and drive overall business performance. In summary, establishing a separate S&OP process for eCommerce is crucial for maximizing the potential of the online channel and driving sustained growth in consumer goods eCommerce businesses.

In summary, addressing the logistical challenges in consumer goods eCommerce requires a comprehensive strategy that encompasses inventory management, supplier partnerships, demand forecasting, and order fulfillment optimization. By investing in robust inventory management systems, establishing strategic partnerships, optimizing cost-to-serve metrics, improving out-of-stocks for top-selling products, and enhancing order fill rates, businesses can optimize their supply chain operations and drive greater efficiency, agility, and customer satisfaction.

## **Covid-19 and the Post Pandemic World for eCommerce**

The COVID-19 pandemic has brought about seismic changes in shopping behavior, with profound implications for the retail landscape. According to a report by McKinsey, global e-commerce sales surged by 20% in 2020, reaching \$4.2 trillion, as consumers flocked to online channels amidst lockdowns and social distancing measures. This marked a significant acceleration of the e-commerce trend, which was already on the rise prior to the pandemic. However, as economies reopened and restrictions eased, there has been a notable shift in consumer behavior, with some regions experiencing a decline in e-commerce sales. In the United States, for example, e-commerce sales dipped by 14% in the second quarter of 2021 compared to the same period in 2020, according to data from the U.S. Department of Commerce.

The reopening of economies has put more pressure on online sellers to reinvigorate sales and remain relevant in the post-pandemic world. To address this challenge, businesses are increasingly turning to retail media and performance marketing as key strategies to adapt to evolving consumer preferences and behaviors. Retail media, which involves brands advertising directly within e-commerce platforms, has emerged as a powerful tool for reaching consumers at the point of purchase. By leveraging retail media platforms such as Amazon Advertising, businesses can target shoppers with relevant ads based on their browsing and purchase history, driving conversion rates and increasing sales.

In addition to retail media, performance marketing has become increasingly important in the post-pandemic world. Performance marketing focuses on driving measurable actions, such as clicks, conversions, or sales, and allows businesses to optimize their marketing efforts based on tangible results. By leveraging data analytics and digital advertising platforms, businesses can target their marketing efforts more effectively, maximize return on investment, and drive revenue growth.

Furthermore, personalized marketing and targeted advertising remain crucial strategies for online sellers looking to connect with consumers on a more intimate level. By harnessing data analytics

and artificial intelligence (AI), businesses can deliver tailored product recommendations and customized marketing messages that resonate with individual preferences and interests.

While e-commerce sales may have declined in the post-pandemic world as the reopening began, online sellers have an opportunity to reinvigorate sales and remain relevant by leveraging strategies such as retail media, performance marketing, and personalized advertising. By embracing innovation and adapting to changing consumer behaviors, businesses can thrive in the evolving retail landscape and capitalize on the growing demand for online shopping experiences.

## **Customer Acquisition and Retention**

Acquiring and retaining customers is a perennial challenge for consumer goods eCommerce businesses, given the high customer acquisition costs and the competitive nature of the market. According to HubSpot, the average cost of acquiring a new customer in the eCommerce industry is \$70–\$100. To address this challenge, businesses should focus on delivering exceptional customer experiences, building brand loyalty through personalized engagement and rewards programs, and leveraging data analytics to identify and target high-value customers.

## **Regulatory Compliance and Legal Issues**

According to PwC, 70% of CEOs are concerned about overregulation stifling growth opportunities. Regulatory compliance and legal issues loom large over consumer goods eCommerce businesses, encompassing a wide array of considerations ranging from data privacy regulations to product safety standards and international trade laws. In an era marked by increasing scrutiny and evolving regulations, navigating these complexities is essential for businesses to ensure compliance, mitigate risks, and foster trust among consumers.

One area of regulatory concern for consumer goods eCommerce businesses is the accuracy and transparency of claims made in digital content and marketing campaigns. Regulatory bodies, such as the Federal Trade Commission (FTC) in the United States, impose strict guidelines governing the use of claims in advertising and promotional materials. Businesses must ensure that any claims made about their products are substantiated by scientific evidence and comply with applicable regulations to avoid potential legal repercussions.

Packshot requirements are another regulatory consideration that consumer goods eCommerce businesses must address. Many jurisdictions mandate specific labeling and packaging requirements for consumer products, including clear and accurate representation of product contents, ingredients, and usage instructions. Failure to comply with these requirements can result in fines, product recalls, and damage to brand reputation.

Furthermore, compliance with active ingredient registrations is crucial for consumer goods eCommerce businesses, particularly for products classified as cosmetics, pharmaceuticals, or health supplements. Regulatory agencies, such as the Food and Drug Administration (FDA) in the

United States and the European Medicines Agency (EMA) in the European Union, require companies to register active ingredients used in their products and adhere to strict safety and efficacy standards.

In addition to domestic regulations, international trade laws present challenges for consumer goods eCommerce businesses engaged in cross-border trade. Importation laws vary from country to country and govern the importation of goods, including customs duties, tariffs, and product safety requirements. Businesses must familiarize themselves with the importation laws of target markets and ensure compliance to avoid customs delays, penalties, and legal disputes.

To navigate these regulatory complexities effectively, consumer goods eCommerce businesses should adopt a proactive approach to compliance management. This includes staying informed about relevant laws and regulations, implementing robust compliance programs, and conducting regular audits to assess adherence to regulatory requirements. Additionally, businesses should establish clear policies and procedures for product claims, packaging, ingredient registrations, and importation laws, and provide training to employees to ensure compliance at all levels of the organization.

Investing in ethical sourcing practices and sustainable business operations is also critical for mitigating reputational risks and enhancing brand trust. Consumers increasingly expect businesses to demonstrate social and environmental responsibility throughout their supply chains, from sourcing raw materials to manufacturing and distribution. By prioritizing ethical and sustainable practices, consumer goods eCommerce businesses can differentiate themselves in the market, build customer loyalty, and mitigate the impact of regulatory compliance challenges on their bottom line.

In conclusion, regulatory compliance and legal issues pose significant challenges for consumer goods eCommerce businesses, requiring proactive management and strategic planning. By staying informed about relevant regulations, implementing robust compliance programs, and investing in ethical sourcing practices, businesses can navigate regulatory complexities effectively, mitigate risks, and build trust among consumers in an increasingly regulated digital marketplace.



## Pricing Pressures and Margin Erosion

Pricing pressures and margin erosion pose significant challenges for consumer goods eCommerce businesses, exacerbated by the prevalence of aggressive price matching practices, particularly by retail giants like Amazon. With increased competition, price transparency, and relentless discounting strategies, businesses find themselves in a constant battle to maintain profitability while staying competitive. According to EY, 72% of consumer goods executives cite pricing pressure as a top concern, highlighting the urgency for effective strategies to manage this challenge.

One approach to mitigate the impact of price matching practices is to adopt dynamic pricing strategies. This involves leveraging real-time data and algorithms to adjust prices dynamically based on market demand, competitor pricing, and other relevant factors. By continuously monitoring market conditions and competitor pricing, businesses can optimize their pricing strategies to remain competitive while protecting margins.

Additionally, optimizing product pricing based on thorough market research and competitor analysis is crucial. By understanding consumer preferences, price sensitivities, and competitive offerings, businesses can set prices that reflect the perceived value of their products. Implementing value-based pricing strategies, where prices are determined by the perceived value



to the customer rather than production costs, can help justify premium pricing and differentiate products from competitors.

Furthermore, businesses can focus on providing value-added services and product differentiation to justify premium pricing. This could include offering personalized customer experiences, exclusive product bundles, or enhanced after-sales support. By delivering additional value beyond the product itself, businesses can build customer loyalty and justify higher prices despite aggressive price matching practices.

Finally, establishing strategic partnerships and alliances with retailers and distributors can provide opportunities to negotiate pricing terms and minimize the impact of price matching practices. By collaborating closely with retail partners, businesses can work together to address pricing challenges and find mutually beneficial solutions.

In summary, managing pricing pressures and margin erosion in the face of aggressive price matching practices requires a multifaceted approach. By adopting dynamic pricing strategies, optimizing product pricing, focusing on value-added services, and leveraging strategic partnerships, consumer goods eCommerce businesses can navigate this challenge effectively while maintaining profitability and competitiveness in the market.

## **Conclusion**

In conclusion, overcoming common challenges in consumer goods eCommerce requires a multifaceted approach encompassing strategic planning, innovation, and adaptability. By addressing challenges such as intense competition, evolving consumer preferences, logistical complexities, technological disruptions, customer acquisition and retention, regulatory compliance, and pricing pressures, businesses can position themselves for sustained growth and success in the dynamic eCommerce landscape. With the right strategies and resources in place, consumer goods eCommerce businesses can navigate turbulent waters and emerge stronger and more resilient than ever before.