A marketer's guide to the 7 building blocks of the e-commerce value chain
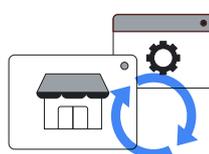
What's inside

Snapshot of MENA's e-commerce landscape

The MENA e-commerce market was sized at approximately $21 billion in 2020 at a penetration rate of 5.7%. [1] However, there is significant room for growth.

Brick-and-mortar stores are ramping up their online offerings with a focus on return-on-investment (ROI), particularly as the competition heats up with new e-commerce entrants and expansion of existing platforms.

As the market continues to evolve, understanding and capturing the e-commerce opportunity effectively is now more important than ever. In order to help you, we have distilled the e-commerce value chain into the 7-step building blocks below.

Building blocks of e-commerce value chain

1 | Supply

Procurement, defining margins, managing inventory, demand planning and forecasting

2 | Warehousing and inbound logistics

Optimising operations to ensure supply, minimise working capital and order to ship (O2S) time

3 | Digital merchandising

Storefront management and pricing/ promotions

4 | Marketing

Pricing, promotions, partnerships, content, personalisation, SEO, affiliate/ email/ social SEM marketing, remarketing, analytics etc.

5 | Sales

Transaction management to enable the entire user journey from registration/ product search to add to cart and payment
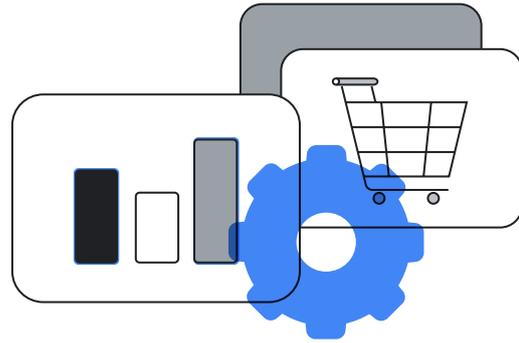
6 | Fulfillment

Order and shipment management including pick and pack, split/ consolidated shipment, tracking and delivery

7 | Customer service

Order inquiry, change/ cancel/ exchange/ returns management, loyalty program management

Supply 1

What is it?

Supply focuses on how an e-commerce player manages inventory, availability, and margins.

Why it matters

A marketer's understanding of inventory and different selling models can play into marketing strategy, particularly for discount promotions and seasonal trends. Moreover, awareness of negotiated margins can allow marketers to adjust the target cost of acquisition for different brands and product categories.

Top Tip
Data sharing and interaction with the Buying team can allow marketers to influence the brands and products being bought based on what is trending and in demand.

How it works

Two models that work, separately or in tandem:

01

The retail model

This is a model adopted by an e-commerce player that involves **buying goods to trade**, rather than acting as a liaison between buyer and seller. This means they **own inventory**, must **balance new and outdated** goods, **full price and discount** goods, as well as actively spend on **marketing**.

Although capital intensive, the retail model allows a brand to offer product differentiation by reserving the resources of top selling brands and exclusive product ranges.

02

The marketplace model

In this model, e-commerce players don't buy goods, but act as a third party intermediary between the seller and buyer. There are two ways to accomplish this:

- **Drop shipping,** where no inventory is held by the brand, and the products sold are shipped directly from the seller's facility to the buyer.

- **Consignment,** where goods are loaned to an e-commerce player that stores and delivers products.

  This model allows an e-commerce brand to display long tail assortment without investing in stock or marketing, while still driving revenue and profitability. Higher assortment can drive improved conversions, order values and repeat rates.

Useful tool

With the help of enterprise **Search Management product SA360**, advertisers are able to integrate business signals, like product level profit margin or inventory stock availability with keyword bidding. Such signals can also be used to create dynamic search ads with real time pricing promotions injected to ads and to disable unavailable inventory from campaigns.

2 Warehousing and inbound logistics
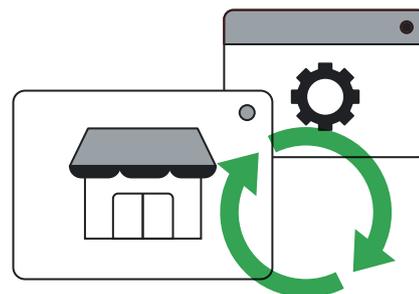
What is it?

The focus at this stage is on planning and efficiencies related to inventory coming in and getting shipped out.

Why it matters

For marketers, insight into warehousing practices can inspire smoother customer service experiences, including managing expectations of when goods can be delivered.

Top Tip

Keep track of **key seasonal moments** and how they might impact warehouse practices to manage customer expectations and plan promotional material. For example, e-tailers tend to focus on inbound supply to stock up ahead of major sales events, like **Black Friday.**

How it works

There are three types of warehouse capacities: storage, inbound, and outbound.

01
Storage

This is a look at the volume of inventory stored, the percentage storage takes out of the warehouse's total capacity and the inventory ratio to sales.

02
Inbound

This stage focuses on receiving goods and raw materials from businesses in time to meet expected consumer demand based on seasonal promotions or trends.

03
Outbound

This final stage refers to delivery of goods to the end consumer in a timely manner.

- **A system in place: Most large e-commerce companies have developed an integrated system** linked to warehouse capacity and inbound schedules that is accessible both to retail buyers or to marketplace sellers. This ensures resource availability and streamlined tracking of the process.

Useful tool

By moving infrastructure to the cloud, retailers can take advantage of **Google Cloud data warehousing and analytics solutions** to streamline retail operational functions. Retailers can leverage the scalability of Google Cloud to ensure that merchandise is accurately and efficiently received, sorted, ticketed, picked, packed and shipped from the distribution center to the stores.

Digital merchandising 3
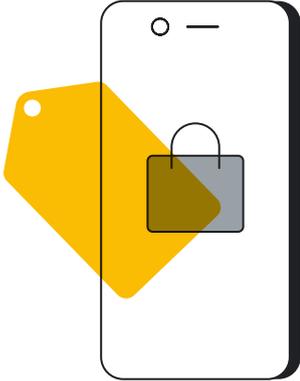
What is it?

Digital merchandising encompasses all promotional activity to sell products online to meet planned profitability.

Why it matters

An understanding of pricing and stock management can aid marketers in planning campaigns that drive sales while ensuring brand and category level targets are met.

> **Top Tip**
>
> Monitor impressions, click-through-rates and conversions to optimise your user journey on the homepage of the site. **Watch this video** on how to get customers to visit your site — and convert — for inspiration of a streamlined user experience on your site.

How it works

While key metrics used by marketers in e-commerce firms vary by company, here are three key points to keep in mind:

01
Pricing and promotions

Improve sales by offering discounts and promotions to entice customers to purchase. Strategic promotions are the ones that focus on improving the business fundamentals and have a specific goal, like discounting slow moving stock.

02
Traffic diversion

Most successful portals see high traffic and revenue contributions from direct or organic visitors. These visitors often have the highest intent, making homepage personalisation an impactful conversion tool to drive sales. Additionally, A/B tests allow product teams to identify optimisation opportunities in the UX/UI such as adding design and navigation elements buttons, carousels, adjusting language and visuals to create urgency and highlighting USPs such as free shipping.

03
Planning & stock management

Projections form the basis of detailed business plans to ensure the right goals are achieved. This includes managing stock by assessing demand for certain products at specific periods.
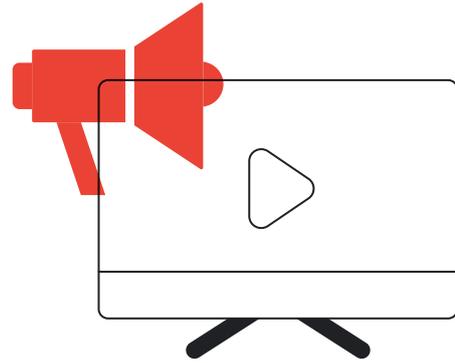
Useful tool

Google Cloud Solutions offers a structured method to manage online merchandising and stock. With the use of machine learning, the **Recommender tool** provides actionable recommendations based on data.

Success story: Namshi

Take a look at **how MENA e-tailer Namshi used** **Google Cloud Services** to handle spikes in transactions during key retail moments.

What is it?

To be relevant in today's dynamic environment, brands must create personalised end-to-end experiences to meet evolving customer standards. It is essential for marketers to be agile, pivot their plans depending on shifting demand and stay on top of emerging trends.

Why it matters

Gradual shifts in consumer behaviour have accelerated. Consumers are shopping online more than ever before and they want an online experience that is engaging and humanised as an in-person one. To succeed in 2021 and beyond, marketers will need to meet rising customer expectations, respond dynamically and add value to customers.

Top Tip

Analyse data: Use **first party data** to understand changing consumer behavior and provide tailored shopping experiences.

How it works

Plan a 360-strategy

Understanding your target audience and defining your business objectives will enable you to drive a multifaceted marketing approach.

- **Tailor your approach:** Based on data and a deeper understanding of your core customers, create a personalised approach to speak directly to consumer passions and pain points.

Success story: NESCAFÉ Dolce Gusto

NESCAFÉ Dolce Gusto used a **colourful, personalised approach** with their creative messaging that allowed for specific targeting when implementing their media plan. The result was a customised approach that spoke to fashionistas, foodies, and more in these bubbly ads that resulted in an uplift in search and several brand metrics.
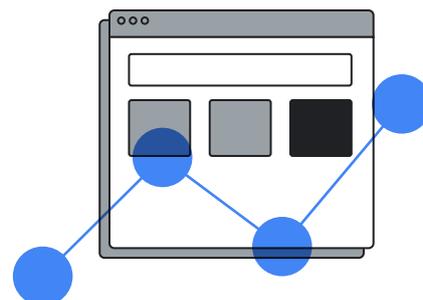
What is it?

The focus is on assortment, availability and pricing as key drivers of conversion.

Why it matters

Understanding consumer habits and the brand's own shopping journey on the site is key to optimise and meet needs successfully with the right marketing strategy. Find inspiration from research on the **eight changes in shopping behaviour in MENA post-pandemic.**

Top Tip

Evaluate performance: Successfully tracking sales and audience conversion rates will help inform future strategies. Take a look at **the future of commerce** in consideration with sales.

How it works
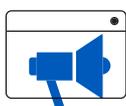
01

Drive conversions

Simple actions like reminding consumers of abandoned carts can have a big impact on final purchase decisions.
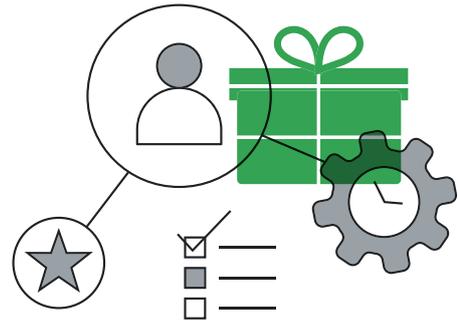
02

Nurture loyalty

Increase customer lifetime value by providing quality customer service to keep customers coming back.

Useful tool

Enhanced e-commerce gives you insights into metrics including product page views, products added and removed from shopping carts, and transactions that have been initiated, abandoned, or completed.

6 Fulfillment

What is it?

Order and shipment management includes packing, distribution, and returns.

Why it matters

Through a marketer's lens, clear customer service at this stage will benefit the brand.

> **Top Tip**
> An understanding of their own delivery and return offering will allow a marketer to promote unique selling points, such as quick or free delivery, and easy returns (to store, or pick up from home),

How it works

Marketers can achieve this by focusing on three goals:

01
Decreased returns

- Provide a detailed product description with contextualised high quality images
- Implement size guidelines and fitting tools for apparel
- Use customer review tools to crowdsource size reviews
- Lengthen return policy to reduce urgency to return

02
Decreased failed deliveries

- Ensure information like address, phone number, special instructions are supplied and verified
- Provide tracking information and updates
- Provide more flexible delivery days and timing slots to the customer
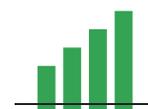
03
Increased picking accuracy

- Automate processes and data flow
- Implement order validation before dispatch

Useful tool

Consider implementing **Google Cloud solutions for retail**, including artificial intelligence and machine learning to assist with managing consumer expectations when it comes to order fulfilment.

7 Customer service

What is it?

Directly connecting with consumers to address pain points and offer a smooth experience will go a long way.

Why it matters

As consumers find new ways to shop online, they expect fast and seamless connections with brands. To retain engaged and loyal customers, marketers should offer convenient communications and drive increased customer satisfaction.
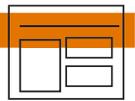
Top Tip

Clear and relevant information, accessibility, and presence throughout the customer journey will go a long way towards driving a superior customer experience and drive loyalty
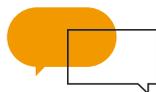
How it works

Pay attention to each stage of the journey.

01
Before

A website needs to be up-to-date with relevant information and any technical issues resolved to engage a consumer.

02
During

A shopper's **purchase journey** can be complex. Proactive communication and fast resolution are key to keeping a customer on your site.

03
After

A focus on returns, exchanges, and loyalty programmes will help the customer complete a positive experience.

Useful tool

Deliver exceptional customer service and increase operational efficiency using **artificial intelligence**. Enable your virtual agent to converse naturally with customers and expertly assist human agents on complex cases.

Think with **Google**