AN AUSTRALIAN STUDY

2024

DIGITAL, MARKETING & ECOMM IN FOCUS

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SIX DEGREES

20 YEARS OF SHAPING FUTURES

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SIX DEGREES 20 YEARS OF SHAPING FUTURES ARKTIC FOX

INTRODUCTION

Welcome to our 2024 Digital, Marketing & eComm in Focus study (formerly known as the Marketing State of Play study). The report is now in its fourth year, which is a milestone we at Arktic Fox and Six Degrees Executive are extremely proud of, as we continue to provide the industry with a valuable resource to understand the state of the market in Australia. The study findings allow brands to compare and contrast where they are verses their peers and stimulate thought and conversation in the industry about the issues and opportunities that we collectively face.

Each year, we seek to evolve the study in line with market trends and changes, and this year is no different. In 2023, we expanded the study to encompass eCommerce. Based on its success, the eCommerce section of the study has been expanded this year to provide deeper insight into areas such as measurement, channel investment focus, maturity of eCommerce Down Under and much more.

With many industries and the overall economy slowing, this year's report also takes a closer look at the effects of the subdued economic climate for brands, as we begin to navigate an era where value is king and demonstration of return to stakeholders are heightened in importance.

In this year's study, we have explored the strategic importance of key capabilities like personalisation, CX and more and sought to unpack the progress brands are making to build strong data foundations. Whilst the theme of personalisation is not new, it seems many brands are still challenged by their ability to meet and deliver on customer expectations. 59% of leaders believe they lag the market in the area of personalisation. To deliver on personalisation ambitions, data foundations are an imperative, but it seems many are still grappling to build them. Less than one in five brands have developed a unified view of the customer and only 22% agreed their data is well managed and maintained, to provide them with high quality data to activate. This alongside of key data and MarTech skills and capability gaps, demonstrates why many brands are challenged in their endeavours to progress their personalisation agenda and other data driven activities.

2024 will be a defining one for the industry, as Google has begun its march to deprecate cookies (and then retreated) and we anticipate the first wave of privacy act changes may be legislated. These changes will challenge leaders and brands to adapt on many fronts whilst teams also grapple with stubborn growth.

On the eCommerce front, we have seen growth slowing, and whilst some industries are continuing to see strong growth (particularly those operating within non-discretionary spend categories), others are finding it harder to maintain investment as eCommerce performance flatlines. With proliferation of eCommerce channels occurring, brands are increasingly needing to manage the brand experience across more channels than ever before. This presents opportunities for innovation, as well as challenges teams to re-think how they manage their presence on the digital shelf.

In 2023, we saw a global shift in investment of MarTech, with an increasing number of brands looking to consolidate and rationalise their stacks. With cost pressures on many organisations, greater scrutiny is occurring around the MarTech stack and for good reason. In this year's report we explored the utilisation of MarTech in the local market and discovered that nearly half of all brands are experiencing low levels of utilisation of their stack.

Finally, we would like to take this opportunity to thank the many participants of the study, including those who have contributed over many years and equally those who have participated for the first time. Without your input, the report would simply not be possible. We would also like to thank our generous sponsors *Amperity* and *SKUvantage* | *Salsify ANZ*, whose support has allowed us to bring this study to fruition.

Happy reading.

Teresa Sperti

Director/Founder
Arktic Fox

Jo Krause

Senior Manager, Marketing, Digital and eCommerce
Six Degrees Executive

WHAT TO EXPECT FROM THIS REPORT

The *2024 Digital, Marketing and eComm In Focus* study interviewed 250 marketing, digital and eCommerce leaders across Australia.

This year's study explores:

- The priorities and challenges facing marketing, digital and eCommerce teams
- The strategic importance of CX, online sales and lead generation, MarTech utilisation and personalisation, and the maturity of brand capability in market across these key areas
- Digital transformation and what is hindering progress
- The growing skills gap within teams across Australia
- How brands are training their teams and what is holding teams back
- A closer look at the industry trends disrupting every brand in 2024 – privacy, GenAI and cookie deprecation
- Low utilisation levels of MarTech and the growing need and pressure to deliver outcomes
- How teams are embracing working from home and the shifts in expectations over the next 12 months
- A spotlight on eCommerce – a special feature delving into an array of insights on eCommerce and much more.

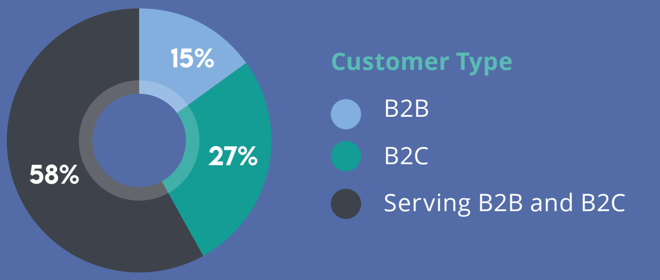
Methodology

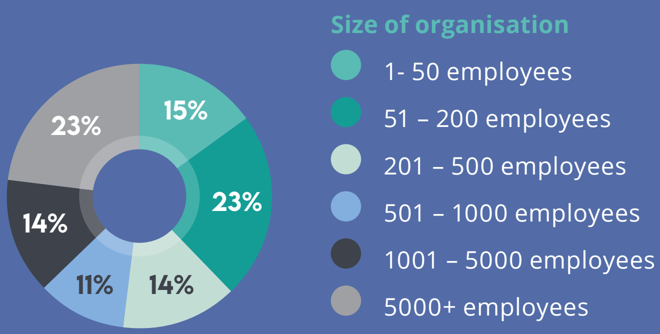
The data within this report was sourced via an online questionnaire containing 66 questions. Responses were collected from the 15th of January 2024 to the 31st of March 2024.

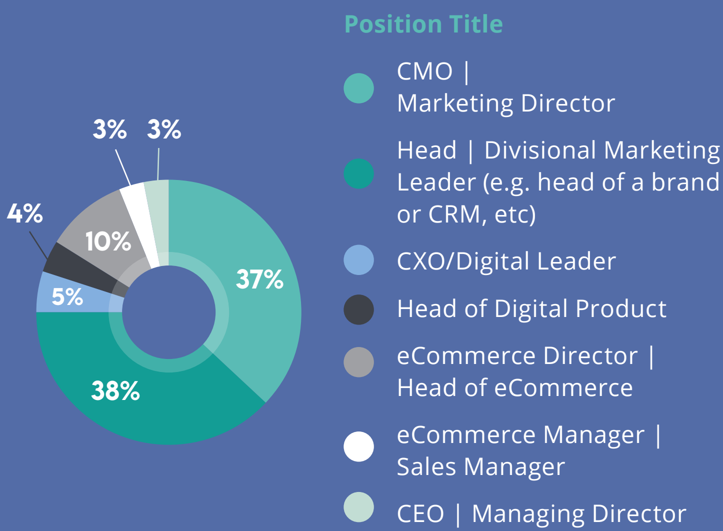
SOME OF THE MANY CONTRIBUTORS

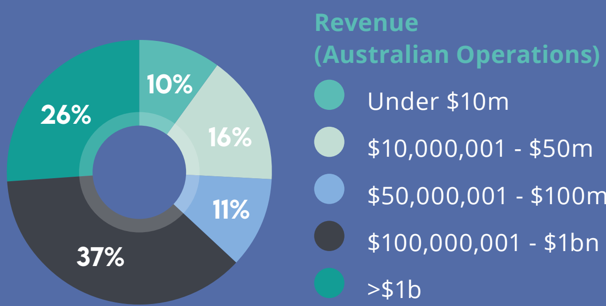
RESPONDENT PROFILE

INDUSTRY









PRIORITIES AND CHALLENGES

BRANDS ARE DOUBLING DOWN ON GROWTH AS BUSINESS CONDITIONS BECOME MORE CHALLENGING FOR MANY

Once again, driving the growth agenda has topped the list of priorities for marketing and digital teams across the country, with 77% of leaders suggesting it is one of their top five priorities for the year ahead. Building customer data strategy and better utilising 1st party data, brand development and purpose and digital transformation continued to feature prominently in the top five priorities, as they have over the past four years of the report.

With some of the toughest trading conditions in decades for brands, this year the study delved into brands focus on acquisition, product and proposition development, as well as delivery of “value” based offerings to serve cost conscious buyers. As consumers are trading down and out of certain products/services, budgets bite and profit margins are squeezed, it is not surprising that nearly half of all brands are focussed on driving new customer acquisition, and nearly a quarter are focussed on new proposition and product development.

Whilst building and delivering greater value for consumers and buyers was a focus for 17% of respondents, it polled lower than anticipated, despite shifting consumer and buyer preferences in discretionary categories.

This is the first year the study sought to establish the importance of building credentials and strategy in sustainability and ESGs (Environmental, Social and Governance) as a key priority. Only 12% of leaders ranked it as one of their top five priorities for the year ahead. This was much lower than anticipated, but not completely surprising given current market conditions.

What are the key strategic priorities that you and your Marketing and/or Digital team are focused on tackling over the next 12 months? (Select up to 5)

	OVERALL	B2B	B2C
Driving the growth agenda for the organisation	77%	85%	71%
Driving new customer acquisition	48%	56%	56%
Building our customer data strategy and better utilising our 1st party data	42%	26%	44%
Brand development and brand purpose	36%	44%	33%
Digital transformation	36%	33%	35%
Building team capability in existing and new areas	35%	37%	38%
Loyalty strategy evolution/development	27%	15%	33%
Customer experience strategy and experience evolution	24%	19%	29%
New proposition and product development	23%	37%	17%
Successfully implementing MarTech	20%	26%	15%
Building our eCommerce presence	20%	7%	21%
Building and delivering greater value with our offering to meet changing consumer and buyer needs	17%		
Revisiting our existing strategy/roadmap to adapt to market changes	17%		
Driving innovation and experimentation	15%		
Building our sustainability credentials and/or our ESGs strategy	12%		
Enhancing the employee experience	4%		

NB: To understand and isolate priorities for B2B and B2C brands, these results are derived from brands with a sole focus on B2B or B2C markets. Brands with a dual focus have been excluded from the B2B vs B2C analysis. B2B and B2C breakdowns are based on 50 or fewer responses.

B2B BRANDS FAR LESS LIKELY TO FOCUS ON BUILDING THEIR CUSTOMER DATA STRATEGY AND UTILISE 1ST PARTY DATA THAN THOSE IN B2C

Priorities and challenges for B2B vs B2C brands differ demonstrably. For B2B brands, only one in four are focussed on building a robust customer data strategy and better utilising 1st party data, compared with 44% of B2C brands. As the B2B market typically lags the market in areas of digital and data, it is not surprising that fewer B2B brands are leaning into the data challenge and opportunity. However, with deal cycles becoming longer and the market more competitive, B2B brands will need to become more sophisticated in their approach to drive business growth through the use of data if they are to be successful.

When we look at what is challenging B2B leaders, it is clear the sales and marketing relationship creates a unique set of challenges for marketing and digital leaders. These leaders and teams are far more likely to need to shift the perception of their role and value within the organisation. They are also far more likely to experience resource constraints than their B2C counterparts, with two thirds citing this challenge.

What are the biggest challenges you and your Marketing and/or Digital team are facing? (Select up to 5)

Biggest Challenges	OVERALL	B2B	B2C
Balancing short- and long-term priorities	57%	33%	73%
Resource constraints	54%	67%	48%
Measuring performance and return from investment of our activities	35%	44%	35%
Budget cuts which are limiting our ability to deliver on strategic initiatives	33%	26%	25%
Additional investment in budget and resources	28%	30%	25%
Building our customer data strategy and better utilising our 1st party data	27%	26%	35%
Buy in to invest in brand	23%	7%	31%
Digital transformation	23%	7%	31%
Finding time to innovate	22%	19%	19%
Shifting the perception of marketing or digital within the organisation	19%	33%	13%
Successfully implementing MarTech	19%	30%	15%
Embedding customer centricity	18%	11%	19%
Demonstrating the value of the function	16%	22%	10%
Stakeholder management/engagement	16%	33%	15%
Finding and attracting talent	13%	0%	10%

NB: To understand and isolate priorities for B2B and B2C brands, these results are derived from brands with a sole focus on B2B or B2C markets. Brands with a dual focus have been excluded from the B2B vs B2C analysis. B2B and B2C breakdowns are based on 50 or fewer responses.

FEWER BRANDS SEEING MARKETING AND DIGITAL BUDGETS RISE AS TEAMS ARE EXPECTED TO DO MORE WITH THE SAME OR LESS

How has your budget changed over the past 12 months?

	2024	2023
Reduced by less than 20%	21%	15%
Reduced by more than 20%	16%	20%
Remained the same	39%	32%
Increased by less than 20%	16%	25%
Increased more than 20%	8%	8%

In some better news for the industry, whilst bottom lines are being squeezed, investment in marketing and digital is holding up better than expected. However, the portion of those seeing growth in their budgets is reducing. In 2024, less than one quarter of leaders suggested their budgets have increased (24%) vs one third the year prior. As a result, more than three quarters of teams are having to do more with the same or less.

Not-for-profits and charities are one sector that is more likely to be experiencing a reduction in budgets, as are education-based businesses and those within healthcare.

On the digital front, we have also seen further shifts towards digital investment as a portion of the overall marketing investment. In 2023, 57% of leaders stated that they were spending more than 30% of their budget on digital and in 2024 that has risen to 65%. Nearly one in five brands (18%) still spend less than 20% of their budget on digital, which shows that whilst the shift in spend is occurring, some are progressing faster than others.

STRATEGIC CAPABILITIES AND MATURITY: B2B VS B2C

THE STRATEGIC IMPORTANCE OF CX, PERSONALISATION AND MARTECH UTILISATION IS HIGH, BUT BUILDING MATURITY IS PROVING TOUGH FOR MANY

CX, personalisation, online sales and lead generation and MarTech utilisation are all now table stakes for marketing and digital teams to compete effectively in a modern market. The concepts are not new, in fact many brands have been trying to master strategies in these spaces for the past decade or more. This year we therefore sought to unpack the strategic importance of each of these and how effectively brands have been able to build the capability to deliver in market.

In every instance, more than seven in 10 brands felt that these areas were strategically important or very important. Customer Experience scored the highest importance rating at 87%, whilst MarTech utilisation was deemed of lesser importance than the other areas, despite MarTech enabling delivery across the other three areas. Leaders perceived strategic importance of CX to the overall marketing and digital strategy is logical.

As CX influences brand perception, preference and advocacy, it is one of the most powerful strategies organisations can leverage today to drive competitive advantage and meet rapidly changing consumer expectations. Whilst minimising friction and pain points is still a significant focus for many brands on the CX front, those that are gaining competitive advantage are the brands thinking beyond experience "optimisation". Leaders in the space are placing emphasis on how to differentiate through experience, alongside of addressing friction points to win customers over in a more competitive market.

When comparing B2B to B2C brands, nearly twice as many B2C brands see personalisation as "very important" vs B2B brands. The relative importance being placed on personalisation by B2B brands is evidently falling short of meeting and exceeding buyer expectations. The *2023 Salesforce State of the Connected Consumer Report* found that 78% of business buyers expect the organisations they deal with to adapt to their needs and preferences, reinforcing the importance of personalisation. Similarly, the importance placed on CX management by B2B brands is lower than that of B2C brands. At its core, B2B buyer behaviour and expectations are shaped by their B2C interactions, which means B2B brands need to step up their focus and investment in these areas in order to effectively engage the next generation of B2B buyers.

How strategically important are the following strategies to your overall marketing/digital strategy over the next 12 - 24 months?

	NOT IMPORTANT	SOMEWHAT IMPORTANT	IMPORTANT	VERY IMPORTANT
Personalisation	**5%**	**23%**	**29%**	**43%**
* B2B	4%	26%	44%	26%
* B2C	6%	23%	21%	50%
CX management	**2%**	**11%**	**32%**	**55%**
* B2B	0%	19%	37%	44%
* B2C	2%	13%	25%	60%
Online sales and lead generation	**5%**	**18%**	**21%**	**56%**
* B2B	16%	8%	20%	56%
* B2C	2%	29%	27%	42%
MarTech utilisation	**5%**	**19%**	**44%**	**32%**
* B2B	3%	15%	41%	41%
* B2C	10%	23%	44%	23%

NB: To understand and isolate priorities for B2B and B2C brands, these results are derived from brands with a sole focus on B2B or B2C markets. Brands with a dual focus have been excluded from the B2B vs B2C analysis. B2B and B2C breakdowns are based on 50 or fewer responses.

As modern marketing teams, we understand the importance of delivering CX, personalisation, and MarTech. However, moving from knowing to mastering these areas is tough and requires careful planning and persistent effort. We all agree on what needs to be done, but figuring out how to do it is the real challenge."

JANE HOBAN
Trading Director, Specsavers

How mature is your digital and/or marketing team's capability in the following areas?

	LAGGING THE MARKET	MEETING THE MARKET	EXCEEDING THE MARKET
Personalisation	**59%**	**36%**	**5%**
* B2B	59%	37%	4%
* B2C	57%	35%	8%
CX management	**40%**	**50%**	**10%**
* B2B	52%	30%	18%
* B2C	34%	56%	10%
Online sales and lead generation	**35%**	**49%**	**16%**
* B2B	54%	42%	4%
* B2C	39%	47%	14%
MarTech utilisation	**54%**	**39%**	**7%**
* B2B	37%	52%	11%
* B2C	63%	33%	4%

NB: To understand and isolate priorities for B2B and B2C brands, these results are derived from brands with a sole focus on B2B or B2C markets. Brands with a dual focus have been excluded from the B2B vs B2C analysis. B2B and B2C breakdowns are based on 50 or fewer responses.

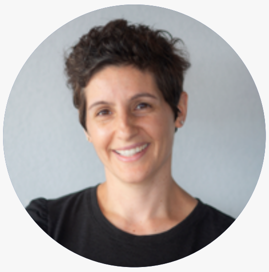
When capability levels are compared to the strategic importance of these initiatives, there is little doubt as to why many brands are struggling to progress their agenda in areas such as personalisation or MarTech utilisation.

54% of all leaders suggested that their brand is lagging the market when it comes to MarTech utilisation capability. With MarTech strategy and implementation being one of the key skill gaps that exist within teams today, combined with an overreliance on external technical providers to implement systems, it is easy to see why capability build for many brands is not where it needs to be in the MarTech space to drive adoption. In the B2C space, that lack of maturity vs the market rises to nearly two in three brands.

Online sales and lead generation was a key area of importance for B2B brands with 77% of brands seeing it as important or very important. However, despite this, 54% of B2B brands believe their capability lags the market. This insight was backed up by similar findings from another Arktic Fox report published in 2024 which focussed on the state of Sales in Australia. It found that locally, despite the shift in buyer behaviour online, many brands are still too reliant on traditional sales approaches.

But certainly, the biggest finding is that despite all of the hype and deep investment in personalisation, capability is still far too elusive for brands, with 59% of leaders stating that their capability lags the market. In the B2C space, those that are leading the market in personalisation are the brands that have built strong in-house capability in areas of MarTech and data and have been able to develop a unified view of the customer to enable their endeavours.

> **When it comes to personalisation, too often we see brands with a lack of shared alignment around the vision and direction of their personalisation strategy, and teams working in siloes to deliver personalisation at a channel level. A good personalisation strategy defines what personalisation means for the brand and how personalisation will be delivered across the customer journey in the moments that matter most, to solve problems and help to recognise and reward customers."**

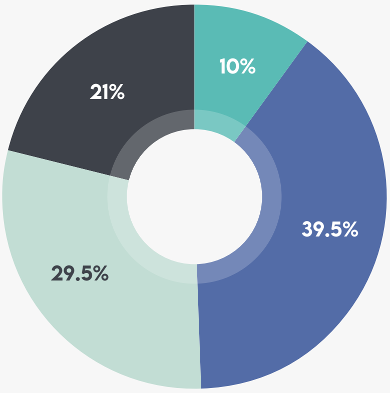


TERESA SPERTI
Director/Founder, Arktic Fox

DIGITAL TRANSFORMATION

DIGITAL TRANSFORMATION IS STILL ALIVE AND WELL, BUT SHORT-TERMISM AND ALIGNMENT ARE PLAGUING EFFORTS

This year's study has revealed that more than seven in 10 brands are undergoing some form of digital transformation within their organisation, which is not surprising given that digital transformation never really stops, as the market is ever-evolving. However, for half of all brands transforming, it is relatively early days in their transformation journey (18 months or less). The data revealed that industry is not a determining factor of maturity of the transformation journey – with those in the early stages of their journey coming from a cross-section of industries.



How would you describe where your organisation is at on its digital transformation journey?

- We are just starting out
- It's still early days for our organisation (12 - 18 months in)
- We have been undergoing transformation for a few years now (18 months - 3 years)
- Our organisation has been transforming for a long time (3+ years and continue to do so)

When it comes to the aspect of digital transformation leaders are finding most difficult, once again a lack of team capability and skills to drive the change featured prominently, as well as executive knowledge and support. This year the study sought to unpack if a focus on short term results is also creating challenges for leaders when it comes to digital transformation. The findings show that more than one in every three leaders are finding it difficult to deliver digital transformation due to expectations from the business to see short term results. Whilst a desire to see progress and green shoots is important, organisational leaders must balance these expectations with an understanding that investments in digital are to deliver results not only for today, but for tomorrow, and in part should be measured accordingly.

Which aspects of digital transformation are you finding most difficult? (Select up to 3)

The study findings also suggested that alignment across the executive group around digital transformation priorities are of concern and may be hampering efforts. When asked how much leaders agreed with the statement that their executive team are aligned around strategic priorities for digital transformation, less than half of leaders (47%) agreed. To effectively transform and accelerate efforts, alignment is a critical success factor. Unsurprisingly, those in early stages are more likely to be challenged by alignment, but it doesn't evade those who have been transforming for a longer period of time.

> **"The toy industry has long relied on traditional media to reach young children. The proliferation of digital channels to reach and engage children across video to social, streaming, gaming (online and console) and more, combined with the double digit decline in traditional media globally and strict advertising laws to engage children, has driven us to embrace digital transformation.**
>
> **We have adopted a foundations first approach to embed the right foundations to deliver on our future ambition. This sees us investing heavily in MarTech to meet our global needs. We have also embraced hiring SMEs to bolster our inhouse marketing capability and are also augmenting capability through partnering with likeminded, agile agency partners. Lastly, we have focussed on educating our leadership team, to build their digital literacy so they feel informed to make the right investment decisions. Building trust that this is an 'always on' strategy and sharing the wins along the way has helped us kick start our transformation which is already showing exciting results."**

BELINDA GRUEBNER
CMO, Moose Toys

PRIVACY, COOKIES, AND GENAI – THE BIG INDUSTRY DISRUPTION TRENDS

PRIVACY RISK IS A RISK TO MANY

Whilst the Privacy Act review is still in progress, in late 2023 brands received some clarity over which of the 116 proposed recommendations would be adopted, as well as those that the government accepts in principle but requires further consultation to cement. Whilst there is still ambiguity, brands have the strongest indication yet of where this is headed, and making the changes will be no mean feat. This means preparing for change through a form of review or assessment is important to determine the size and scale of change required. This year's study would suggest that whilst some brands are quick out of the gates to prepare for the pending changes, others are lagging in mobilising around the issue.

ONLY 38% AGREED THAT THEIR EXECUTIVE GROUP UNDERSTANDS THE IMPORTANCE OF ADAPTING TO PRIVACY CHANGES AND SEE IT AS A KEY STRATEGIC PRIORITY TO ADDRESS

41% AGREED THAT THE PRIVACY ACT CHANGES ARE WELL UNDERSTOOD BY THEIR MARKETING AND/OR DIGITAL TEAMS

33% AGREED THEIR ORGANISATION HAS A CLEAR PLAN TO EVOLVE IN LINE WITH PROPOSED PRIVACY ACT CHANGES

What should shake every boardroom around Australia to its core, is only 38% of leaders agree with the statement that their executive group understands the importance of adapting to privacy changes and see it as a key strategic priority. With fines now up to $50M, every executive group should be oriented around privacy as a burning platform. Marketing and digital leaders need to be championing the issue, given its importance to consumers and buyers, and to mitigate organisational risk.

GENAI IS ALL THE RAGE BUT STILL IN BASIC FORMS

With Generative Artificial Intelligence exploding onto the scene in 2023, brand adoption has been strong with nearly seven in 10 brands experimenting with GenAI.

69% OF BRANDS ARE EXPERIMENTING WITH GENAI

The vast majority of brands are experimenting with GenAI, but when we look closer, we see that many brands are still in their infancy of adoption, with the most prominent use case being to create and generate content. Adoption is anticipated to accelerate as a result of tougher trading conditions across many sectors as brands look to find efficiencies in processes and delivery. Brands like Coca-Cola are making significant strides in the GenAI space, having deployed GenAI to support the product development process, right through to empowering customers to create content. Mercedes-Benz is another who has been experimenting with the use of GenAI to bring new voice enabled tailored experiences to the customer, adjusting the in-car experience to their driving style, mood and much more. These brands understand and appreciate how quickly GenAI will change the market. They are placing emphasis and focus on building capability early on and are doubling down on testing and experimentation which is enabling them to take an iterative approach to innovation.

If you are experimenting with GenAI, for what purpose/s? (Select all that are relevant)

BRANDS STILL NOT FEELING THE CRUNCH WHEN IT COMES TO COOKIES

In January 2024, Google began deprecating 3rd party cookies, but given the small portion of browsers it affected, it seems many brands still lie in wait for the change to affect them and potentially for good reason. In late April 2024, Google once again announced it will further delay deprecation until at least 2025. Despite the constant changes, where are brands at? One in four brands are in the early stages of planning, and nearly one in three are yet to start to plan for the change.

Many brands that have adapted their media strategies early on have seen the benefits of moving away from 3rd party cookies as a currency to trade media as precision improves and effectiveness rises. Those reaping rewards have focussed on; deploying extensive experimentation to determine most effective approaches for media moving ahead, placed stronger emphasis on activating their 1st party data assets and looked to partner to share and enrich data for better targeting and to drive relevancy.

ONLY 29% OF BRANDS HAVE A CLEAR PLAN AND PATH THEY ARE IMPLEMENTING OR HAVE IMPLEMENTED THEIR PLAN IN FULL

"Whilst privacy may not have the same allure and hype as GenAI, it represents a significant opportunity for brands to innovate and demonstrate leadership in market. When we compare Australian brands to those in Europe (who have experienced GDPR for the last 8 years) there is a real complacency and a lack of importance being placed on ensuring that consumer rights and demand for control are respected. Those that draw a strong link between privacy and brand reputation as well as champion the need for change across the organisation, are likely to see privacy embedded into core experiences as opposed to it being treated as an after-thought."

TERESA SPERTI
Director/Founder, Arktic Fox

TECHNICAL AND SOFT SKILLS GAPS

MANY ROADS LEAD BACK TO CAPABILITY CHALLENGES, BUT BRANDS AREN'T PREPARED TO DO WHAT IT TRULY TAKES TO SHIFT THE DIAL

Once again, the study has sought to understand the key technical and soft skill gaps plaguing teams. Building team capability in existing and new areas came in at 6th in the top priorities for leaders around the country (35%), with many brands lagging the market. When it comes to the build of key capabilities, understanding the gaps and being intentional about the capabilities teams seek to build is, however, more important than ever.

On the technical skills front, year-on-year, we have seen little change in the biggest skill gaps, with data and analytics once again topping the list of skill gaps, as it has done since the inception of this report. Commercial acumen, MarTech strategy and implementation and measuring performance and outcomes all continue to feature as prominent top skill gaps. Emerging technologies was new to the list this year and has shot up to be the 2nd biggest skill gap present within digital and marketing teams today. With the dramatic rise of GenAI and many brands still in their infancy of leveraging it, there was little surprise that this featured so prominently as the second biggest skill gap in market. One in five teams suggested privacy compliance was a skill gap, which is significant given the industry faces a skill shortage in this area as demand for experienced professionals in privacy ramps up.

Biggest technical skill gaps in your team (Select up to 5)

Data and analytics	42%
Emerging technologies (GenAI, conversational commerce, voice etc)	39%
Commercial acumen	32%
Marketing technology (MarTech) strategy and implementation	31%
Measuring performance and outcomes	31%
Digital design and development	31%
Strategic planning	26%
Personalisation and targeting	24%
CX design	23%
SEO	22%
Privacy compliance	20%

On the soft skills front there is no change year-on-year to the top five skill gaps, which reinforces their critical importance and the battle leaders face to re-tool teams for a different type of organisation.

Biggest soft skill gaps in your team (Select up to 5)

Managing up and across the organisation	49%
Critical thinking and problem solving	46%
Influencing and negotiation	36%
Time management and prioritisation	32%
Planning and project management	22%
Resilience	22%
Emotional intelligence	17%
Communication	16%
Collaboration and teamwork	12%
Adaptability and flexibility	11%

LEADERS ARE USING A SERIES OF LEARNING MODES TO UPSKILL THEIR TEAMS

With little shift in core skill gaps over the past four years of the report, the study delved into how teams are learning and sought to unpack if teams have a plan to building departmental capability, beyond individual development plans.

On-the-job learning was by far the most utilised form of learning, followed by short, sharp less formal learning interventions (e.g. guest speakers, lunch and learns, etc). As teams struggle to invest time in training and development and aren't afforded the space to upskill (50%), it is clear why these modes are favoured.

On average, teams are utilising 3.84 modes of learning to train their teams, which means in many instances, on-the-job learning is complemented with other modes of learning and development. However, the over-reliance on on-the-job learning is one for the market to consider, if it is to break the skills gap. In spaces where everything is new and what good looks like is unknown by the team member, on-the-job learning does have its limitations. In addition, as more of the workforce is working remotely or hybrid, the ability to learn on the job becomes more challenging, as team members don't benefit from the ad hoc learning interventions and informal chats that occur when you are co-located.

The rise of online learning is also one for brands to consider when looking to upskill a cross-section of team members. What online learning often fails to provide, is the forum to wrestle collectively with the content/subject matter and to discuss what this learning means and how it applies to an organisation's context which adds to the overall learning experience.

Which approaches are you utilising to train and develop your team? (Tick all that apply)

On-the-job learning	90%
More informal learning (lunch and learns, guest speakers)	51%
Formalised training	47%
Conferences and industry events	47%
Mentoring programs	44%
Subscriptions to publications and online learning tools	40%
Coaching	40%
Resources library (podcasts etc)	34%
Tertiary education (degrees, diplomas, etc)	8%

What is holding you and your team back when it comes to appropriately upskilling and developing the team? (Select your top 2)

50%	We don't have time or space to invest in upskilling
48%	We don't prioritise it enough as a team
46%	We don't have the budget to invest to the level we need to
15%	The market is changing so rapidly we find it hard to remain abreast of changes
7%	The team lacks curiosity and a lack of willingness to learn

"With the fast pace of change, it's no surprise that leaders have identified data and analytics as well as emerging technologies as key gaps and therefore areas of focus for ongoing investment into skill development, and this aligns with our focus at VU. High performing marketing teams are those that are getting ahead of the change to identify ways in which they can harness insights and new technologies to deliver market leading campaigns and strategies. Our own team's development program focuses on both soft and technical skills where we run these programs yearlong, enabling team members to join any of the training streams as required. We also work closely with our agency partners on identifying and planning for changes and opportunities that may require upskilling of the team."

DAVID LLEWELLYN
Chief Marketing Officer, Victoria University

RE-THINKING THE WAY WE APPROACH DEVELOPMENT PLANNING TO ACCELERATE CAPABILITY BUILD

Whilst focus, prioritisation and budget are all holding brands back from effectively building skills and capabilities within teams, one of the biggest issues evidenced through the study is that less than one in three teams have a clear plan to build capability across their department or function. With the market changing so rapidly, and teams needing to build a suite of new skills and capabilities, effective build of capability across departments requires a coordinated and intentional approach to building the capabilities that will matter to the organisation now and into the future.

ONLY 32% OF TEAMS HAVE A CLEAR PLAN TO BUILD CAPABILITY ACROSS THEIR DEPARTMENT OR FUNCTION

> **The teams that are most effective at building capability in market are the ones who have clearly defined the core capabilities they need to build and have defined a departmental plan to upskill their team. They also prioritise embedding a culture of learning to realise their ambition. Whilst individual development plans still serve a purpose, a "top-down" approach is important if teams are to be successful in building core capabilities."**

TERESA SPERTI
Director/Founder, Arktic Fox

MARTECH DEEP DIVE

MARTECH – WE ARE DROWNING IN IT, BUT WE ARE NOT EFFECTIVELY UTILISING THE TOOLS AT OUR DISPOSAL

The top three platform investment priorities for brands remain largely the same year-on-year, however this year, CRM takes top spot. When we consider investment priorities for B2B brands vs B2C brands, it is evident that a higher proportion of brands in the B2B space are looking to invest in CRM, as well as lead generation and management tools. Meanwhile, those managing brands that have a dual B2C and B2B market focus are most likely to be investing in CDPs. With the deprecation of the cookie still on the horizon and privacy act changes around the corner, we have seen a three-fold increase in the number of brands looking to invest in customer identity management and resolution platforms year-on-year (off a very small base of 3% last year).

When it comes to MarTech, which platforms are your priorities for investment in the next 12–18 months? (Select up to 3)

	OVERALL	B2B	B2C	B2B and B2C
CRM	43%	52%	45%	39%
Marketing Automation	41%	56%	41%	39%
CDP	35%	19%	29%	43%
Digital analytics	22%	22%	22%	22%
Content Management System	18%	11%	18%	19%
Digital Asset Management	18%	15%	14%	20%
Lead generation and management tools	14%	33%	6%	12%
Workflow and resource management	12%	7%	12%	12%
Data warehouse	11%	4%	14%	11%
Customer identity management and resolution	9%	7%	2%	12%
Digital commerce	8%	0%	10%	12%
Data Management Platform	8%	7%	6%	9%
None of the above	5%	0%	8%	4%

NB: To understand and isolate B2B and B2C MarTech investment priorities, these results are derived from brands with a sole focus on B2B or B2C markets.

UTILISATION LEVELS SHOULD MAKE EVERY BRAND QUESTION IF THEY ARE TRULY SWEATING THE VALUE FROM THEIR ASSETS

Consolidation and rationalisation of the MarTech stack is a trend sweeping the globe as the sheen of MarTech begins to fade and the hangover takes hold. Whilst the value of MarTech is clear, the ability for brands to effectively absorb the change and leverage the benefits of their sprawling stacks has created pause for many, as they assess if too much MarTech is limiting their brand's ability to derive value.

Despite the many millions of dollars Australian brands are investing in MarTech today, very few are reaping the benefits of the tech as a result of low levels of utilisation. Nearly half of all brands utilising MarTech today believe they have low or very low levels of utilisation of MarTech, whilst less than one in five believe their MarTech utilisation is semi-strong or strong.

How well do you believe your organisation leverages its MarTech? (On a scale of 1 to 5)

1 = very low utilisation of the tech and the core features and functionality it provides	14.5%
2 = low utilisation of the tech and the core features and functionality it provides	32%
3 = average utilisation of the tech and the core features and functionality it provides	34%
4 = semi strong utilisation of the tech and the core features and functionality it provides	17.5%
5 = strong utilisation of the tech and the core features and functionality it provides	2%

Brands that derive better utilisation from their MarTech possess a series of key traits. They are more likely to possess strong in-house capability in the MarTech space, and their budgets allow for continuous investment to further evolve how they are leveraging the platforms at their disposal. Whilst specialist capability resides internally, that capability serves as Subject Matter Experts (SMEs) to the wider team and organisation. They effectively partner to help teams to understand what is possible and how to best leverage the technology to solve business and customer problems. These individuals or teams also play an active role in understanding what is coming on the product roadmap as well as considering the relevance of new features and functionality, and the value they can deliver to a brands' overall strategy. There are also strong working relationships in place with IT counterparts, shared roadmaps, clear vision and cadences in place to effectively sweat the assets.

As a result of lower levels of utilisation, it stands to reason that leaders are increasingly being faced with greater scrutiny over return and value and are finding it difficult to demonstrate return.

In many respects, the slowdown in investment in marketing technology is both a reaction to difficult trading conditions and also a lack of justification in past expenditures. The task of not only demonstrating but delivering great value from the MarTech stack is near impossible without a robust team of highly capable marketing technology professionals. Recognizing this gap, savvy leaders are now prioritising the development and enhancement of in-house teams. Technologies may come and go, but great MarTech people adapt, and the businesses with a great in-house team are at a significant advantage when it comes to sweating their tech investments to their fullest potential."

TROY MUIR
Senior Marketing and Technology Leader (ex Movember and Heart Foundation)

WHEN LEADERS WERE ASKED IF THEY ARE FACING INCREASED PRESSURE TO DEMONSTRATE RETURN AND VALUE FROM THEIR MARTECH INVESTMENT – 41% AGREED THIS WAS THE CASE

ONLY 23% DISAGREED WITH THE STATEMENT WE HAVE FOUND IT "DIFFICULT TO QUANTIFY THE VALUE OF OUR MARTECH INVESTMENT TO DATE"

Greater scrutiny and tougher trading conditions are leading brands to take a less bullish approach to investment in MarTech, with slight declines in investment intention year-on-year. In 2023 we saw 63% of brands suggesting their investment intention in MarTech would increase year-on-year, whilst in 2024 that has dropped by 6% to 57%. In addition, 7% of brands are suggesting their budget will decrease year-on-year, up from 3% intention the year prior.

How will your MarTech budget change in the next 12 months?

Decrease substantially	2%
Decrease slightly	5%
Maintain as is	36%
Sightly increase	45%
Significantly increase	12%

As a collective industry we've relied too heavily on the 'promise' of immediate Martech utopias. We need to remember that Martech solutions are only as good as the business strategy and trained professionals that use them. A key proof point to this will be the upcoming privacy legislation changes in Australia. Those that have properly invested in their strategy, delivery teams and core Martech solutions like CRM and Automation will be able to successfully navigate this transition."

JOHN WALKER
Head of Marketing and Customer Experience, Isuzu Australia Limited

FOR MANY, BEST-OF-BREED SOLUTIONS ARE THE PREFERRED CHOICE WHEN BUYING MARTECH

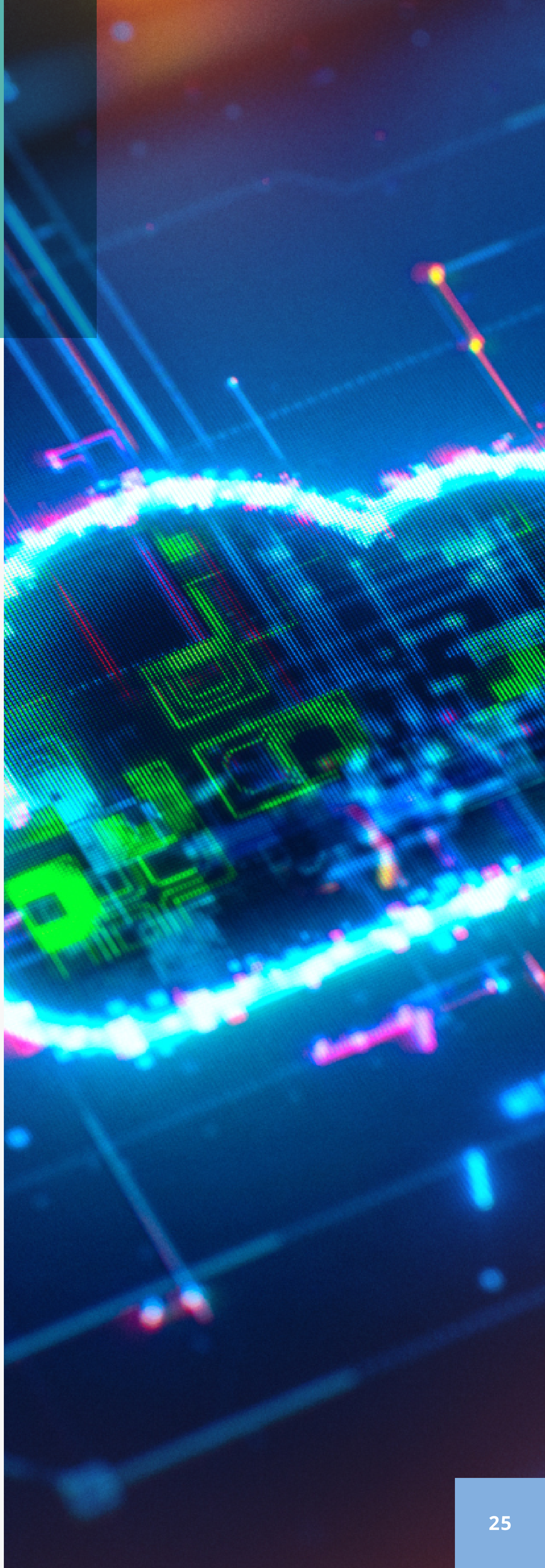
As the MarTech market matures Down Under, we are seeing more brands lean towards best-of-breed solutions when choosing MarTech. Whilst the major players of Salesforce, Adobe and others continue to build out full stack solutions to meet a suite of customer needs, the pendulum has swung away from single vendor solutions, with now nearly six in 10 brands preferring to adopt best-of-breed solutions to meet their needs.

Thinking about your current or future technology investments, which of these best aligns with your organisational tech strategy?

14% Leaning towards a single vendor

57% Leaning towards best-of-breed solutions

29% No preference



DATA AND ANALYTICS SNAPSHOT

DATA, DATA EVERYWHERE, BUT ACTIVATION AND EFFECTIVE UTILISATION IS ELUSIVE FOR MANY

ONLY **29%** OF LEADERS AGREED "WE ARE VERY EFFECTIVE AT ACTIVATING DATA TO DELIVER GREAT CUSTOMER EXPERIENCES"

ONLY **22%** OF LEADERS AGREED "OUR DATA IS WELL MANAGED AND MAINTAINED, PROVIDING US WITH HIGH QUALITY DATA"

ONLY **19%** OF LEADERS AGREED "WE HAVE DEVELOPED A UNIFIED VIEW OF THE CUSTOMER"

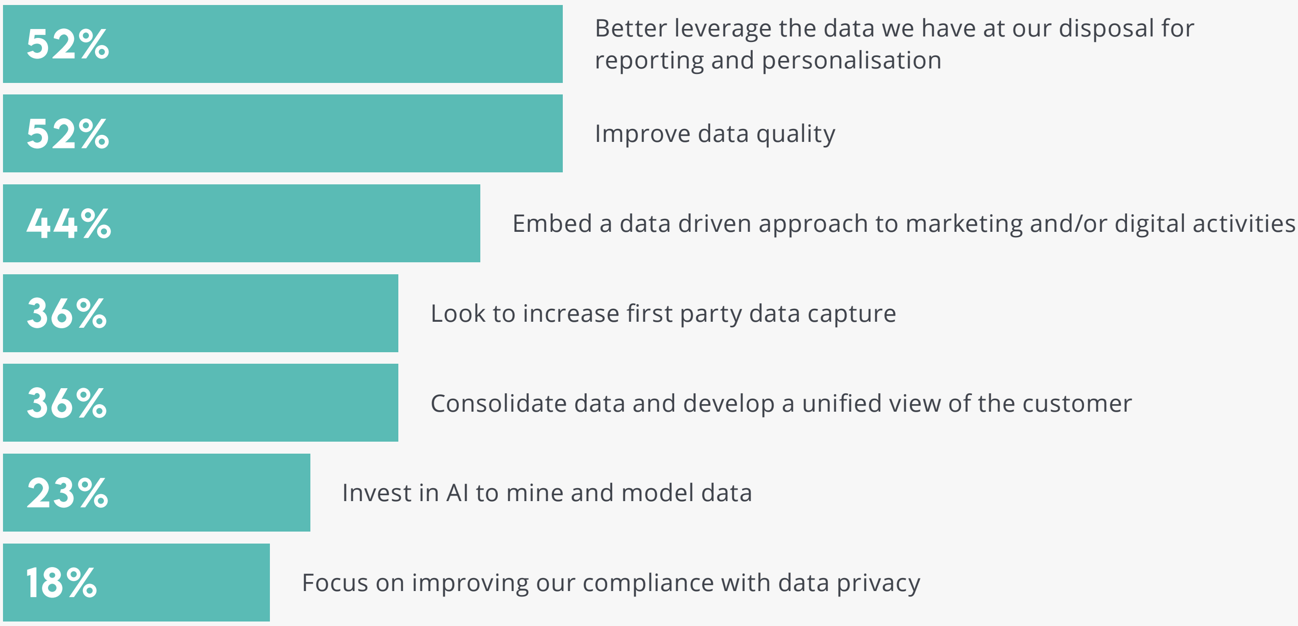
The rivers of gold have gushed for data service and platform providers, but for many brands, data maturity is still elusive. Less than one in three brands believe their teams are successful at activating data to deliver great customer experiences, and less than one in five believe they have developed a unified view of the customer to underpin a data driven marketing approach. This is the brutal reality many brands face, across a cross-section of industries and organisational sizes, despite best attempts to move the data agenda forward within teams and across the organisation.

Data quality is also a significant challenge for brands, with less than one in four leaders stating that their data is well managed and maintained to provide them with high quality data. Data quality issues can become a real barrier to progress in adopting a data driven approach. If team members and their peers don't trust the data, they are far less likely to leverage it. On the flipside, too often brands become paralysed by their relentless pursuit of improving data quality. In these instances, brands need to ask themselves if the extra improvements are material and will warrant the extra effort and investment.

The issue of data quality will be heightened in the next 12 months for brands as they lean into all they need to. In order to comply to changing privacy legislation, identifying an individual customer and all of the data associated with them is likely to be important, and therefore brands may need to lean into data quality as a direct result of privacy changes. In addition, as more brands look to leverage AI to derive insights and drive decisioning, data quality will be thrust into the spotlight as models and insights derived from AI are only as good as the data it leverages.

THE SAME DATA PRIORITIES ARE ARISING, BUT WITHOUT ADDRESSING THE CAPABILITY GAP, BRANDS HAVE LITTLE HOPE OF MAKING MATERIAL PROGRESS

What are your key priorities in the data and analytics space in the next 12–18 months? (Select up to 3)



What are the biggest challenges your team faces in the data and analytics space? (Select up to 3)

47%	Disparate sources of data
43%	We don't have a unified customer view of data
43%	Lack of capability and expertise to effectively utilise data
24%	An inability to access customer data

The priorities and challenges of teams in the data and analytics space are similar to those of prior years. What the insights demonstrate, is that capability and skills in the data and analytics space are still a significant impediment to progressing the data agenda. Until brands are prepared to lean into that challenge heavily, they are unlikely to see material shifts in embedding a data driven approach, being able to better activate their data, and improving the quality of data in a way that it is effectively managed over time (instead of just as a once off).

What is also of concern is that less than one in five leaders identified improving compliance with data privacy as a key priority over the next 12 – 18 months. With only one in three leaders stating that they have a clear path to evolve on the privacy front, this is frighteningly low.

> **Industry reports suggest brands are grappling with up to 25 different sources of data, which they are attempting to unify to underpin personalisation, loyalty activities and other customer experience initiatives. Whilst there are a number of brands making solid progress in unifying their data, it still remains a work in progress as the space continues to evolve, new data sources become available, and some don't have the appropriate MarTech to meet the desired ambition."**

TERESA SPERTI
Director/Founder, Arktic Fox

SIX DEGREES | 20 YEARS OF SHAPING FUTURES

TALENT TRENDS AND WORKING ARRANGEMENTS

MARKET TRENDS AND TALENT ARRANGEMENT

The impact on the job market and unemployment rates over the last 12 months has been quite a contradiction to the previous year because of challenging economic conditions, high interest rates and increased cost of living. At Six Degrees Executive, we certainly felt the shift primarily across the Marketing and Digital sector, although not all industries were impacted, with growth across retail, travel, building and construction, QSR and B2B. We did see a portion of junior level roles being managed directly by internal talent teams as budgets tightened or business priorities changed. However, a high portion of mid to senior level roles that were deemed as business-critical were still requiring specialist recruitment support to ensure the right talent was appointed within these organisations.

MORE CANDIDATES IN MARKET DOESN'T MEAN IT'S EASIER TO FIND GREAT TALENT!

Although it has become more of an employer driven market with fewer roles and more candidate activity than the year prior, the study indicated that the number one challenge for organisations has been finding quality talent within their budget constraints, with 64% of respondents having difficulty hiring within their remuneration ranges. This is no surprise, given the large number of conversations we are currently having are around aligning client salary expectations with the demands of potential candidates.

There are more candidates on the market because of recent redundancies and higher resignations rates, which will naturally place some downward pressure on salaries (classic supply and demand), but it will take time for the market to re-calibrate. There is a broad perception that when the market has higher supply of candidates, vacancies will be easier and quicker to fill, however that isn't always the case. Instead, you will find that candidates who are passive will have inflated salary expectations, partly due to the legacy of the market post COVID, but also because of the current economic environment and cost of living pressures. Whereas active or non-working candidates will most likely reduce their salary expectation to secure employment quickly within an economic downturn.

The study also indicated the second biggest challenge for businesses has been the time to fill when using internal talent teams. Given the broad nature of roles talent teams recruit, the opportunity to build deep candidate networks and specialist skills across varying disciplines is limited. It's very common for internal talent teams to have 40 live vacancies at any one time across six to eight disciplines.

The third biggest challenge has been around retaining existing talent. This is no surprise to us, as candidates are continually being tapped on the shoulder, especially if they have a specialist skill set that is in high demand. Those organisations with an attractive EVP such as flexible working arrangements, investment in L&D, attractive remuneration and professional development opportunities are tending to win the war on talent.

> **"Finding great talent isn't any easier in a candidate driven market as one of the biggest struggles we have found in high demand areas is aligning clients' expectations in securing the right talent (skills, capability and availability) within tight salary constraints."**

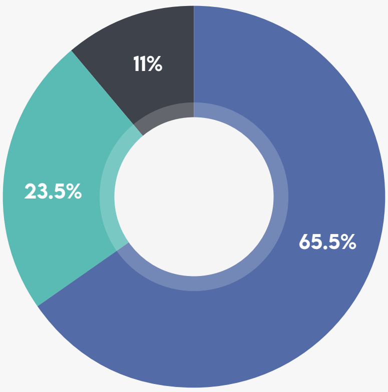
JO KRAUSE
Senior Manager - Digital, Marketing and eCommerce, Six Degrees Executive

From a resourcing/talent perspective, what have been your biggest challenges over the past 12 months?

WILL TEAM GROW IN 2024?

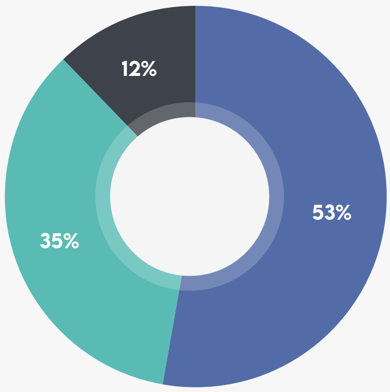
Edging closer to the end of the financial year, we have felt the market shift positively at best margins which is in line with the most recent ABS data, with the unemployment rate dropping to 3.8%. Seek data tells us there are still high job application levels, with applications per ad rising steadily for 18 months now, and up 70.9% year-on-year, whilst the number of roles advertised in April 2024 is down 18.6% vs the prior year. This is no surprise given there are fewer roles in market vs. this time last year.

The outlook ahead remains stable with 52% of respondents expecting to maintain their current headcount with permanent employees, with one third of those indicating they may look at both fixed term and hourly contracting solutions which aligns to our heightened demand in contracting/temp services. The positive news is that there are still 35% of respondents who plan to continue to invest, grow their team and increase headcount in line with business growth as well as creating in house services for both digital and creative sectors.



Hiring trends

- Permanent
- Fixed term contract
- Temporary/interim



What are your intentions in the next 12 months, in relation to team size/ resourcing?

- Maintain current headcount
- Increase headcount to meet the changing needs of the business
- Reduce headcount in line with business needs

WILL 2024 SEE CHANGES TO FLEXIBILITY AND HYBRID WORKING?

Businesses intending to replace existing roles or increase headcount will still need to stay attuned to candidate feedback whilst having a strong EVP in market such as hybrid and flexible working arrangements. The study sought to understand the variations of hybrid working adopted by organisations (e.g. fully flexible, fully remote etc) and if they will change over the next twelve months. The study found that most organisations provide a level of remote working, with 75% requiring two to four minimum days in the office. The research also suggested that 76% of all respondents believe this is likely to stay the same throughout 2024. However, 23% from the "three-four day in the office cohort" believe that the number of days required in office will likely increase over the next twelve months.

What is the current set up of your organisation with respect to work arrangements?

3-4 days in office	47%
Hybrid with a minimum of 2 days in the office	28%
Flexible people can choose how they wish to work (in office / at home)	15%
Onsite full time	6%
Hybrid with a minimum of 1 day in the office	4%
Fully remote	1%

In some cases, organisations are having to go the extra mile to motivate employees to return to the office. Lower than desired workplace attendance has seen several high-profile blue-chip organisations mandate return to the office. Power giants AGL and Origin Energy alongside financial services firms such as ANZ and Suncorp are recent examples of employers trying to strike a balance between giving staff flexibility and promoting sufficient face to face interaction to support mentoring and long-term business productivity.

These mandates, requiring staff to attend the office, are becoming increasingly common with three days per week being the most common that we have seen. In addition, and whilst not yet widespread, some organisations are assessing the option of linking office attendance to bonuses and performance, to drive engagement and productivity. As the report has highlighted earlier, many organisations utilised on-the-job learning to upskill teams, and this is harder to achieve in environments with flexible working and particularly within fully remote scenarios. Since COVID, many organisations have invested a significant amount of money into their workplace, creating A+ environments that not only promoted health and wellness but also provide a cohesive and engaging environment with all the bells and whistles to provide added reasons for team members to return to the office.

According to a recent article in the AFR titled "*Workers Rush Back to their Desk Job as Job Fears Grow*" the average office utilisation in Australia is at its highest level since the pandemic due to the softening economy. Average workplace utilisation rose from 31% to 40% in the first three months of 2024 with Tuesday, Wednesday and Thursday being the busiest in office days. As business conditions are also slowing as indicated by profit results, business confidence and forward orders, we are going to see employers start to make some decisions around who to retain and the circumstances under which they are retained.

The notion of "out of sight, out of mind" has also been overlayed with how much are they (employees) contributing to the overall success of the organisation.

How do you anticipate this to change over the next 12 months?

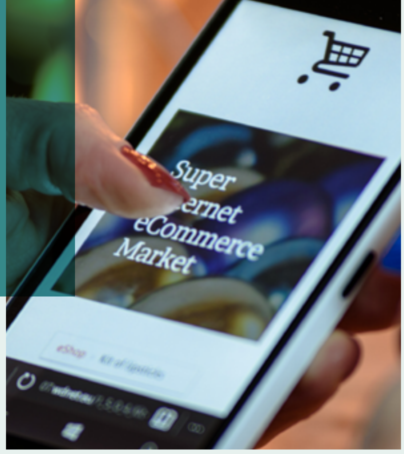
Remain the same	76%
More days in the office required by team members	20%
Fewer days in the office required by team members	1%
Unsure	3%

> **Return to office mandates are frequently discussed as employers are trying to strike a balance between giving staff flexibility and promoting sufficient face to face interaction to support mentoring and long-term business productivity. With 90% of respondents using "on-the-job learning" as an approach to train and develop team members, one would think an office mandate would be imperative to achieve this."**

MAYA WETTENHALL
Associate Director - Marketing and Communications Practice, Six Degrees Executive

eCommerce sponsor:

SKUvantage | Salsify ANZ



A SPOTLIGHT ON ECOMMERCE

After the gold rush era of COVID and the backdrop of a cost-of-living crisis, eCommerce has faced several challenges. Whilst eCommerce sales are still well above pre-COVID levels, growth has normalised or - in some cases - declined. However, with strong growth predicted over the next decade in eCommerce, this year's study sought to shine a spotlight onto the state of eCommerce in the Australian market.

140 respondents who were either directly responsible for eCommerce or had eCommerce as part of their broader remit took part in this portion of the study.

ECOMMERCE RESPONDENT PROFILE

Whilst the overall study had a more balanced level of response from an array of industries, we saw a large skew towards retail, FMCG, consumer goods and manufacturing brands for the eCommerce component of the study. Therefore, within this section of the report we will take a closer look at these particular sectors and how they differ alongside of the macro findings.

INDUSTRY

35.1%	Retail incl. QSR
33.6%	FMCG/CPG, Manufacturing & Pharma (FCMP)
5.7%	Healthcare
3.6%	Services - Financial & Utilities
3.6%	Education
2.1%	Travel, Tourism & Entertainment
2.1%	Building, Construction & Property
1.4%	Transport & Logistics
1.4%	SaaS
1.4%	Online business
10%	Other

WHAT PORTION OF REVENUE DOES ECOMMERCE REPRESENT VS TOTAL SALES?

35%	0 - 10%
27%	11 - 20%
16%	21- 30%
8%	31 - 40%
3%	41 - 50%
6%	51+%
5%	We are a pure play

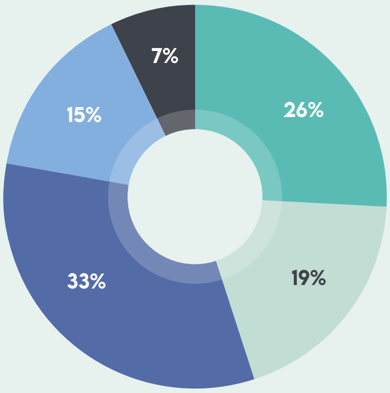
ECONOMIC IMPACT ON ECOMMERCE PERFORMANCE

The *2024 Inside Australian Online Shopping Report* identified that eCommerce sales in Australia declined by $.2bn in 2023 vs. 2022. But this doesn't tell the whole story. By category, it was a tale of two markets, with a sizeable increase in online spend for variety stores, food and liquor, and a sizeable decrease in more discretionary categories like fashion and home and garden, revealing a much more cost-conscious online shopper in 2023.

This helps to explain the study findings, which showed 52% of product and service-based brands experienced some level of negative impact on their eCommerce business both in terms of performance and investment, as consumer confidence bites. In more positive news however, 22% of brands reported positive impacts in eCommerce performance over the same period.

Amidst wage hikes, input cost escalations and more, profitability is becoming a much bigger focus than in prior years.

With slowing growth and tougher trading conditions, there is a risk that some organisations may become complacent and reduce investment in eCommerce without considering the shifts that will take place over the medium to longer term and the importance of building capability for the future.



How much of an impact has the economy had on your eCommerce business over the past 12 months?

- Unaffected
- Small negative impact on achieving our revenue forecasts which is driving a reduction in budgets and headcount
- Significant negative impact on achieving our revenue forecasts which is driving a significant reduction in budgets and headcount
- Small positive impact - we are seeing strong growth which is leading to more investment and growth in headcount
- Significant positive impact - we are seeing strong growth which is driving significant investment and growth in head count

ECOMMERCE PROFITABILITY IN FOCUS AS BUSINESS MARGINS ARE SQUEEZED

What are your top priorities when it comes to eCommerce over the next 12 months? (Select up to 5)

	OVERALL	RETAIL	FMCG/CPG, MANUFACTURING AND PHARMA (FCMP)
Improving our end-to-end eCommerce experience	60%	68%	53%
Optimisation of the onsite experience	39%	62%	20%
Improving profitability	36%	34%	49%
Channel expansion (e.g. marketplaces, quick commerce platforms etc)	35%	28%	49%
Better integration between the physical store/s and online experience	32%	52%	31%
Improving our delivery proposition and fulfilment	27%	42%	16%
Product portfolio evolution or expansion to better serve customer needs	19%	16%	22%
Market expansion (new territories or regions)	19%	16%	22%
Building or expanding our DTC model	18%	14%	22%
Optimising supply chain or logistics to improve operations and service	18%	22%	11%
Improving and enhancing our products (or services) content	18%	16%	20%
Increasing price promotions and activations to drive short term sales	11%	4%	18%
Sustainability and ethical sourcing (products and packaging)	4%	4%	2%
Re-commerce (strategy and/or execution of re-commerce strategy)	4%	4%	0%

When it comes to this year's priorities for eCommerce, improving the end-to-end experience has once again topped the list of priorities for brands. In the retail space that priority is heightened, with 68% of retail leaders suggesting it is one of their top five eCommerce priorities for the year ahead. Whilst COVID accelerated eCommerce investment, many brands were operating at pace to deliver on rapidly changing customer needs. Now conditions have normalised, brands (particularly retailers) are turning their attention to delivering best-of-breed eCommerce and omni-channel experiences in an attempt to fuel further growth and drive customer stickiness. This is demonstrated by prioritisation of the onsite experience by retailers (62%) as well as retailer emphasis on better integration between physical stores and their online experience (52%).

Improving profitability has become of critical importance this year, featuring in the top three priorities for brands up from eight position in 2023. As many brands struggle to drive profitability overall, it comes as little surprise that eCommerce profitability has become a bigger focus Down Under. Hopefully, this is not at the expense of investment to build future capability. Improving profitability is a heightened priority for FCMP brands as they face higher costs to manufacture products and are increasingly investing in retail media. Channel expansion is also high on the priority list for FCMP brands (as it was in 2023), as audiences begin to shop across more channels.

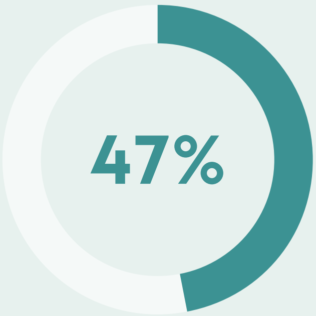
CONTENT IS THE FOUNDATION OF ANY SUCCESSFUL ECOMMERCE STRATEGY, BUT IS THE FOCUS AND EMPHASIS FALLING SHORT?

When it comes to the focus and emphasis on improving and enhancing product/services content, less than one in five see this as a key priority in the year ahead. This was lower for retailers (16%) and slightly higher for FCMP brands (20%). In the retail and FCMP world, content aids product discoverability and selection in an environment where the customer or buyer can't touch or feel the physical product. Content management and optimisation is an ever-moving feat, particularly as channel proliferation occurs. Each platform has a different set of content requirements driven by nuances in how products are displayed and how the platform's algorithms function to serve search results. In addition, over time, consumer preferences for product/services content and how it is consumed continues to evolve.

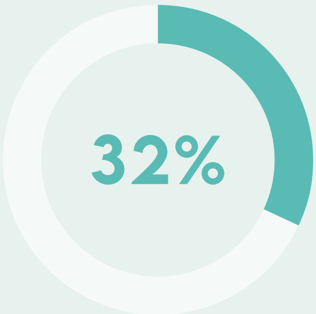
According to a study from Salsify in 2023, 28% of Australians now use video content, and 12% use 360-degree views or augmented reality content to inform their product purchase. All of this reinforces the importance of continuous improvement and evolution of product and services content to deliver in line with customer expectations. Brands exceeding in the product and services content space are those that have;

1) Clear standards in place that define how their products or services show up online across various platforms
2) A clear measurement framework in place to monitor the performance of their product/services content
3) The appropriate technology to automate syndication of content
4) A clear governance approach that defines who manages it and how.

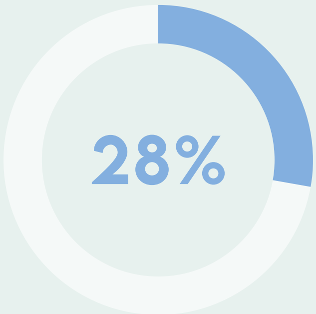
What are some of the key challenges you face when it comes to eCommerce within your business? (Select up to 3)



We are not resourced appropriately to realise the true potential of eCommerce

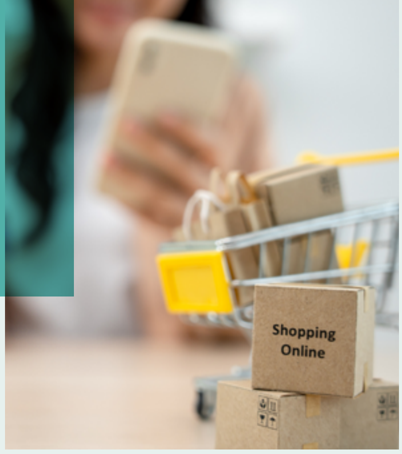


We have limited funding available to tap into the true opportunity that eCommerce affords



The whole business is not behind our eCommerce endeavours and direction

When we consider the biggest challenges brands are facing when it comes to eCommerce, funding and resourcing are stifling growth and build of maturity. These challenges stem from the organisation's perception of the importance of the channel (outlined in subsequent sections of this report). This often means the role of the eCommerce leader is not just one of driving growth and profitability but bringing the organisation along the journey every step of the way.



ECOMMERCE CHANNEL ADOPTION

CHANNELS-A-PLENTY AS AUDIENCES DIVIDE THEIR ONLINE SHOPPING ACROSS MORE CHANNELS THAN EVER BEFORE

As part of this year's study, we sought to understand the channel strategy of brands as it pertains to eCommerce. With marketplaces like Amazon and Temu now increasingly dominating the Australian market, the growth of quick commerce platforms like Uber and DoorDash, and the rise of social commerce, the eCommerce landscape has dramatically changed over the past five years. It will also continue to evolve demonstrably over the next few years.

Overall, in Australia, brands leveraging eCommerce are currently selling/trading via an average of 2.3 channels, with those in retail and FCMP leveraging slightly more channels than the average. As eCommerce channels proliferate and brands are managing their brand experience across more platforms and sites, the ability to effectively execute eCommerce strategies to maximise sales and deliver best-in-class experiences is challenged. This is particularly relevant in the FCMP space, with some brands running very lean eCommerce teams and lacking the automation and back-end technology to effectively manage their presence and performance. In a world where brands are managing the experience across more platforms and channels, the importance of effective content management is heightened to drive discoverability, rankings and compel consumers to purchase.

The average number of channels being deployed by brands for eCommerce

2.30	OVERALL
2.40	RETAIL INCL. QSR
2.46	FMCG/CPG , MANUFACTURING and PHARMA (FCMP)

Brands in the B2B space are far less likely to be leveraging an array of channels, with B2B brands managing on average of 1.75 channels. We expect this to evolve substantially over the coming years. The B2B industry does lag the B2C eCommerce industry, however as B2B marketplaces grow and B2B buyers expect to be able to engage the way consumers do, the B2B eCommerce landscape will see rapid growth from now to 2030.

"Whilst our core grocery channels and customers are still vitally important, as consumer behaviour shifts, we are also focussed on leveraging new channels like quick commerce that are relevant to our categories. To be effective in our approach to maximise the opportunities digital commerce affords, we are advancing our measurement approach to effectively understand the full value of digital commerce as part of broader performance tracking. We also continue to focus on defining shopper ready content to drive discoverability and enable consumers to effectively research and make choices on the digital shelf. Critical to our success will be how we integrate the overall experience to succeed in a world where connected commerce is the new reality."

KAREN JENKINS
Sales Director, General Mills

Which of the following channels make up part of your eCommerce strategy? (Select all that apply)

	OVERALL	RETAIL	FMCG/CPG, MANUFACTURING AND PHARMA (FCMP)
Your eCommerce/DTC site	83%	98%	68%
Specialist e-tail sites	28%	18%	50%
Social commerce	41%	43%	36%
Marketplace platforms	43%	39%	52%
Conversational commerce plays *e.g. messenger apps /chatbot selling etc)	7%	8%	2%
Quick commerce platforms (Uber, Door Dash, etc)	17%	24%	20%
In-store Kiosks	5%	4%	0%

When we look at eCommerce channel investment plans over the coming twelve months, leaders are focussed on doubling down on third party channels like social commerce and marketplaces and aggregators, with roughly one in four brands aiming to step up their investment in these spaces. A further 17.2% and 16.1% plan to start to trial and leverage these platforms respectively, as audience purchase behaviour shifts to these environments. FCMP brands are even more likely to trial social commerce, with 22% planning to do so in the year ahead. Conversational commerce is still very much in its infancy, with the highest proportion of brands set to trial the channel over the coming 12 –18 months (20.8%).

Many brands are also focussed on increasing investment and focus in their own eCommerce channel. Those that are likely to decrease investment and focus are all FCMP brands.

Where do you plan to focus energy and invest at a channel level over the next 12 - 18 months?

	DECREASE INVESTMENT AND FOCUS	START TO TRIAL AND LEVERAGE	MAINTAIN INVESTMENT AND FOCUS	INCREASE INVESTMENT AND FOCUS	N/A
Our eCommerce channel (site)	3.1%	3.9%	36.4%	47.3%	9.3%
Retailers and e-Tailers	2.3%	5.0%	34.1%	30.1%	28.5%
Social commerce	2.5%	17.2%	32.0%	24.6%	23.7%
Marketplace and aggregators	6.8%	16.1%	25.4%	25.4%	26.3%
Conversational Commerce	7.5%	20.8%	18.9%	10.4%	42.4%
Quick commerce	6.5%	16.7%	17.6%	14.8%	44.4%

“Amazon is the sleeping giant in the retail landscape within Australia. If you look at their growth YOY they have seen a 22% rise in marketplace sales and they are investing heavily in Distribution Centres as well as their supply chain to power their future growth. That means many product-based brands need to consider the role and relevance of Amazon as part of their core eCommerce strategy. We still see many brands operating with a focus on today with little investment being made to build capability to exploit channels like Amazon in the future. The best-of-breed retailers are those who already leverage Amazon to power owned brand/private label growth beyond their own eCommerce properties in local or international markets.

Savvy FMCG and CPG brands in key categories like health, beauty, kitchenware, baby, pet and others are already orienting around a future where Amazon represents a much bigger customer and sales channel for their organisation.”

TERESA SPERTI
Director/Founder, Arktic Fox

ECOMMERCE MATURITY

WE'VE PROGRESSED AS AN INDUSTRY, BUT WE STILL HAVE A LONG WAY TO GO TO BUILD ECOMMERCE MATURITY DOWN UNDER

On a scale of 1 - 5, how would you rate your organisation's maturity in the eCommerce space vs global leaders?

	OVERALL	RETAIL	CPG, FMCG AND MANUFACTURING (FCMP)
1 = very low, we have a lot of work to do	15.5%	8.0%	23.5%
2 = low, we have a fair bit of work to do	24.0%	23.5%	21.5%
3 = satisfactory, but more work to do	33.0%	37.0%	26.0%
4 = high, we are edging towards global leaders	20.0%	21.5%	23.0%
5 = very high, we are on par with global leaders	7.5%	10.0%	6.5%

Whilst eCommerce is increasingly becoming a core part of how brands do business, there is clearly still a sizeable hill to climb to build maturity. Nearly three in four leaders rated their eCommerce maturity vs global leaders as "satisfactory", "low" or "very low", demonstrating that many brands understand there is more work to do to lead in the eCommerce space. More than seven in 10 FCMP brands rated their maturity as "satisfactory", "low" or "very low", as did close to seven in ten retailers.

82% OF THOSE WITH HIGH AND VERY HIGH LEVELS OF PERCEIVED MATURITY STATED THAT OUR ORGANISATION VIEWS ECOMMERCE AS AN INTEGRAL CHANNEL TO ENGAGE CUSTOMERS AND DISTRIBUTE OUR PRODUCT/S OR SERVICE/S."

ONLY 13% OF THOSE WITH VERY LOW AND LOW PERCEIVED MATURITY STATED "OUR ORGANISATION VIEWED ECOMMERCE AS AN INTEGRAL CHANNEL TO ENGAGE CUSTOMERS AND DISTRIBUTE OUR PRODUCT/S AND SERVICE/S."

The brands that are succeeding in building maturity are those where the organisation understands the link between eCommerce performance and overall business performance. The more integral eCommerce is seen to be as a channel, the more likely teams are to be adequately resourced, be provided with the appropriate investment to build robust foundations and new capabilities, and be focussed on continuous evolution of their offering and approach to the market. Equally, when eCommerce is seen as an integral channel, the whole of the organisation is behind its success, as opposed to it being viewed as sole responsibility of an eCommerce team.

> **"Market leading brands have spent the last decade and then some building capability and maturity in the eCommerce space. Brands like Nike, Walmart and others have re-engineered their organisations to put eCommerce and an omni-channel approach at the heart of their strategy. These brands understand the fundamental shift occurring within the market today and are prepared for the shift in buying power to younger digitally savvy audiences over the next decade. Their investment and relentless pursuit are aimed squarely at delivering return not just for today but for tomorrow."**

TERESA SPERTI
Director/Founder, Arktic Fox

ECOMMERCE METRICS THAT MATTER

What are the key metrics your executive team uses to assess effectiveness of eCommerce performance? (Select up to 5)

	OVERALL	RETAIL	FMCG/CPG, MANUFACTURING AND PHARMA (FCMP)
Total revenue	85%	90%	83%
Conversion rate	55%	68%	44%
Margin	48%	60%	40%
Traffic - web and app	40%	52%	25%
Contribution of channel to overall sales	37%	36%	40%
Average order value	34%	46%	33%
Online market share / share of category sales online	26%	18%	44%
Average selling price	14%	4%	21%
ROBIS - Research online/buy instore (digitally influenced sales)	13%	16%	19%
Overall customer value	12%	8%	6%
Percentage of returns	10%	14%	8%
Stock availability	4%	8%	2%

Alignment and focus on the metrics that matter is vital to drive effective decision-making and manage the health of any business. But its importance is heightened within organisations where eCommerce is not the core channel to market to drive executive support and buy-in.

Revenue and conversion rate are utilised by the majority of brands to effectively measure eCommerce performance, whilst traffic and margin are utilised by a significant portion of brands. The diversity in the metrics utilised reflects the array of industries deploying eCommerce as a strategy and the various metrics they utilise to measure success.

> **Building a more robust eCommerce measurement framework, one which better reflects the total health and contribution of eCommerce, is likely to garner greater gains for leaders. It can unlock incremental investment, lead to breakout thinking and decision making and accelerate revenue growth. Measurement frameworks need to factor in short- and long-term metrics in order to ensure a balanced discussion around eCommerce investment to build sustainable growth for today and into the future."**

TERESA SPERTI
Director/Founder, Arktic Fox

In the retail space; revenue, conversion rate, margin, traffic and average order value round out the top five performance metrics. Whilst respondents were only able to choose their top five, a few interesting insights emerge from the metrics that are being leveraged by brands. The first is that research online and buy instore (ROBIS) is only utilised by 16% of retailers as a key metric. At present, many retailers fail to demonstrate the true value of eCommerce to the business and the bottom line beyond eCommerce tracked sales. With digital increasingly influencing most in-store purchases, it is vital that more brands begin to adopt metrics like ROBIS to demonstrate the true influence and value of eCommerce. Stock availability and returns polled very poorly by respondents. This demonstrates the focus and emphasis on revenue and profitability, and the potential gaps in measurement frameworks that help to better understand customer experience and lost value from eCommerce.

For FCMPs, there is a greater spread in the type of metrics utilised, in part driven by whether or not the brand offers DTC channels, and in part impacted by what data they have at their disposal from their partners and platforms. In the FCMP space, share and contribution metrics are much more important to monitor to assess eCommerce performance. FCMP brands do, however, have a way to go to build maturity in their measurement approaches, with greater emphasis needing to be placed on metrics like average selling price (ASP), stock availability, and shopper metrics in order to better manage the end-to-end experience and overall performance.

“With the maturity of eCommerce, there has been an evolution in how companies are measuring the value of the channel and the important role it plays in driving overall business performance. This has translated into more of a focus on "Digital Commerce" recognising the importance that digital channels are having in driving profitable growth over the longer term.

There is now a much stronger focus on customer value, not only in the short-term lens through the opportunities that eCommerce provides for customer acquisition but the importance of converting these shoppers into longer term value customers.

Businesses are now looking at how they fractionalise the cost of acquisition over future more profitable sales in addition to driving improved omni-channel experiences which result in higher value customers.

Organisations are also looking at the value of customer data and how they can leverage mediums such as retail media to further improve the customer value equation.

Overall, I would say the way companies define and measure the importance of digital channels will continue to transform in the coming years along with their ability to create better customer experiences through more access to data and insights.”

MARTIN PRICE
General Manager of eCommerce, Dan Murphys

SKILL GAPS WILL HAMPER EFFORTS TO DELIVER ON KEY STRATEGIC PRIORITIES

What are the biggest skill gaps within your eCommerce team? (Select up to 5)

Data and analytics	39%
Optimisation and test and learn	35%
UX	37%
Reporting and measurement	27%
Digital marketing and demand generation	26%
Web development	25%
Online merchandising	21%
eCommerce proposition development	11%
No known skill gaps	2%

Not too dissimilar to marketing and digital teams, eCommerce functions also exhibit several prominent skill gaps which will hamper brands' ability to build capability and maturity over time and to exploit the growing number of channels at their disposal.

More than one in three brands (38%) who have stated optimising the onsite experience as a priority, identified optimisation and test and learn to be current skill gaps within their team, and 41% stated they lack UX skills.

Of the many brands seeking to improve the end-to-end experience, 41% cited data and analytics as a key skills gap, which will hamper efforts to diagnose the biggest opportunities to improve the end-to-end experience for customers.

One in four brands cite digital marketing and demand generation to be a key skill gap for eCommerce. With more than half of all brands citing declining growth in eCommerce, a lack of skills and expertise to drive qualified and engaged audiences will dampen and soften eCommerce growth.

ARKTIC FOX

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Arktic Fox specialises in digital transformation, eCommerce, organisational design, MarTech and customer data. We partner with some of Australia's best-known brands in retail, FMCG and CPG, B2B,and the services space to drive and embed sustainable change. We also provide specialist training and programs to help leaders and their teams build desired skills and expertise in digital, eCommerce, CX, data and more. Our independence and hands on experience leading and driving change within organisations enables us to provide relevant solutions and advice based on our clients' business maturity and capability.

For more information, please visit **arkticfox.io** or follow **@ArkticFox**

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