

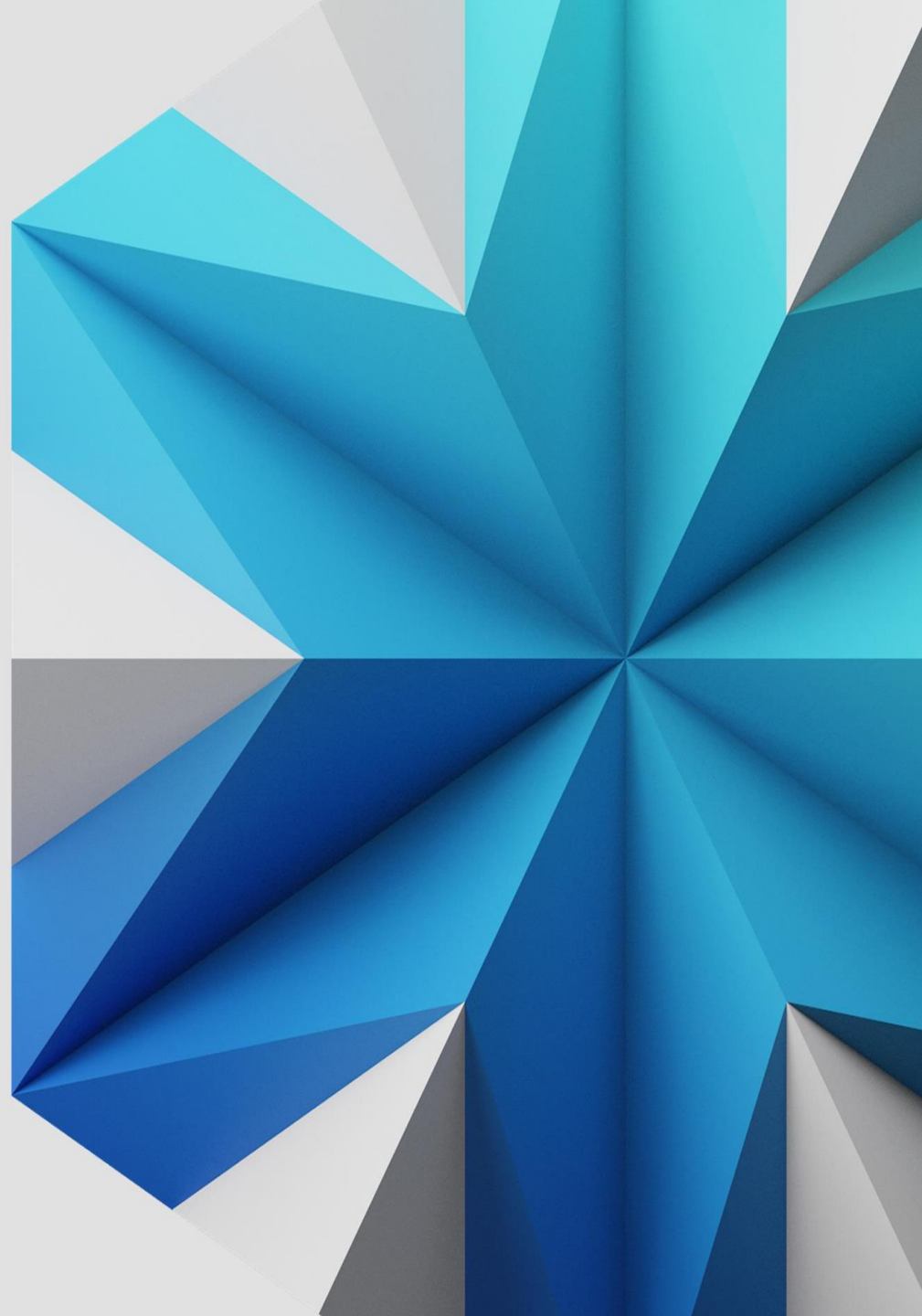
# ASCENTIAL

Act today, win tomorrow.

## Capital Markets Day

A Deep Dive into Digital Commerce

6 October 2021



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# Agenda

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14:00

**Overview of Digital Commerce  
and Market Opportunity**

Duncan Painter

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14:10

**The Digital Commerce  
Ecosystem**

Chip DiPaula, Xian Wang

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14:40\*

Product Session:

**Managed Execution**

Alex McCord, Amber Chen

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15:20\*

Product Session:

**Measurement & Benchmarking**

Deren Baker, Tony Ren

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16:00\*

Product Session:

**Self-Serve Execution & Third  
Party Content Optimisation**

Rosco Hill, Ben Faw

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16:40

**The Ascential Platform**

Patrick Miller

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17:00

**Summary and Levers  
for Growth**

Mandy Gradden

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17:20

**Q&A and Refreshments**

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\*Timing refers to main stage (sessions will rotate between main stage and break-out rooms)

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# Digital Commerce and Market Opportunity

Duncan Painter

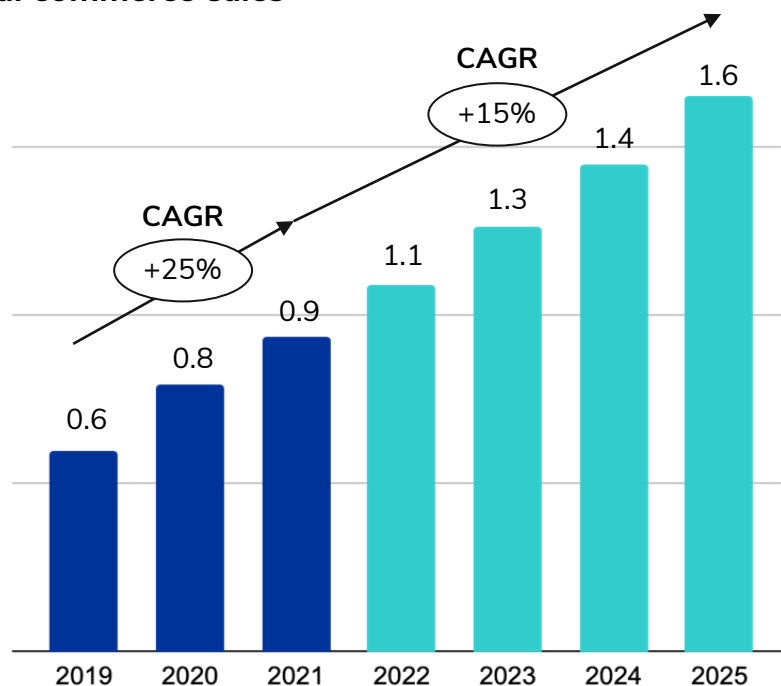
## Our Digital Commerce mission

To help brands and marketplaces win by  
optimising and accelerating their digital  
commerce performance



# Digital commerce is the primary growth channel for brands

US digital commerce sales  
(US\$tn <sup>1</sup>)



Source: 1. eMarketer, May-21; 2. Edge Retail Insight



By 2026 our experts<sup>2</sup> forecast global digital commerce sales to total **\$5.6tn**

Global digital commerce is expected to account for **39% of total retail sales by 2026**

# Digital commerce is local and fragmented but brands are global

## Fragmented landscape



## Global brands



# To win, brands need to manage exponential complexity at scale

$$\begin{array}{ccccccc} \text{Hundreds} & & \text{Hundreds to} & & \text{Tens to} & & \text{\textasciitilde Millions of} \\ \text{of levers} & \times & \text{thousands of} & \times & \text{hundreds of} & = & \text{decisions} \\ & & \text{SKUs} & & \text{marketplaces} & & \text{per day} \end{array}$$

**It is not an option for brands to do it alone**

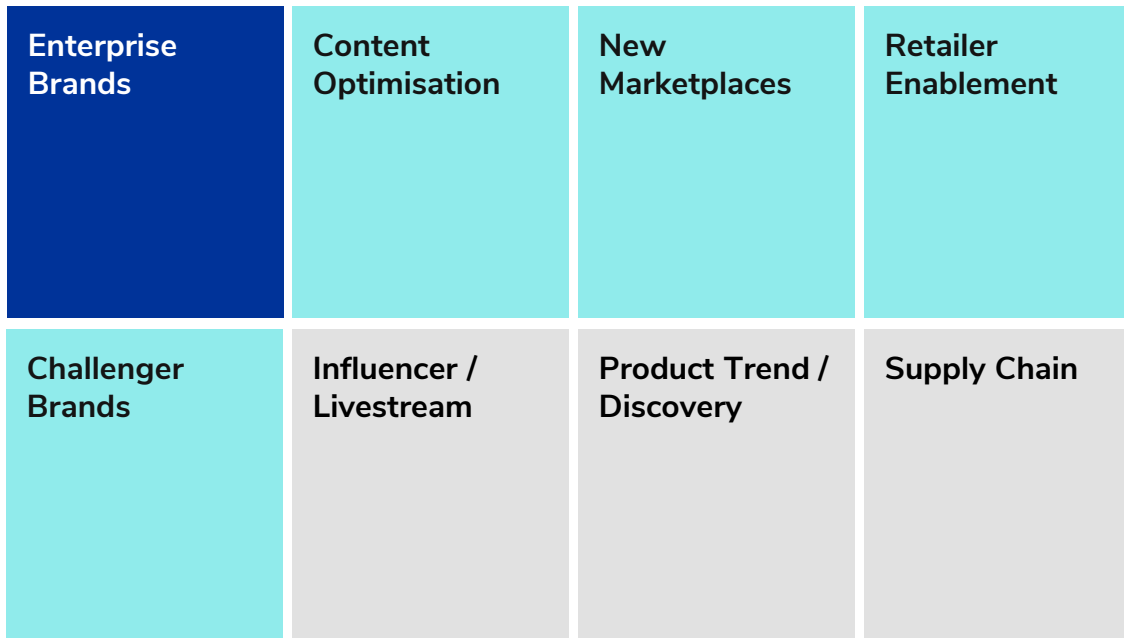


# We are building capabilities to address these challenges and cement our position as the leading industry platform






# We know which capabilities are important and are well underway

## Execution Platform



## Measurement & Benchmarking

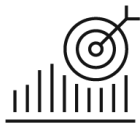


 Core offering     Build out phase     New and nascent capabilities

# We are well positioned to win



**Large and growing opportunity** to create joined up platform to succeed across a fragmented digital commerce landscape



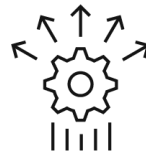
**Strong M&A track record** and proposition to entrepreneurs



**Difficult to replicate data and coverage advantage** - massive global datasets joined together and leveraged across all our products



**World-class platform**, and increasing focus on **innovation and organic development**



**Powerful business models** - recurring subscription and performance based models, benefiting both brand and retailer



**Blue-chip clients** - addressing the most complex challenges for the most demanding clients

## **Today you will see:**

- 1. How we solve customers' global challenges**
- 2. How large the opportunity is**
- 3. Why we will win**

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# The Digital Commerce Ecosystem

Chip DiPaula, Xian Wang



# Speakers



**Chip DiPaula**  
Ascential Digital Commerce  
Co-President



**Xian Wang**  
Edge by Ascential  
Retail Insight VP

# ASCENTIAL

## The Digital Commerce Ecosystem: Introduction to Ascential Digital Commerce

## Digital Commerce


Measurement and execution for explosive digital commerce growth.

flywheel

**EDGE**  
BY ASCENTIAL

& YIMIAN

**dz** DUO  
ZHUN

 OneSpace

 perpetua

INTELLIBRAND

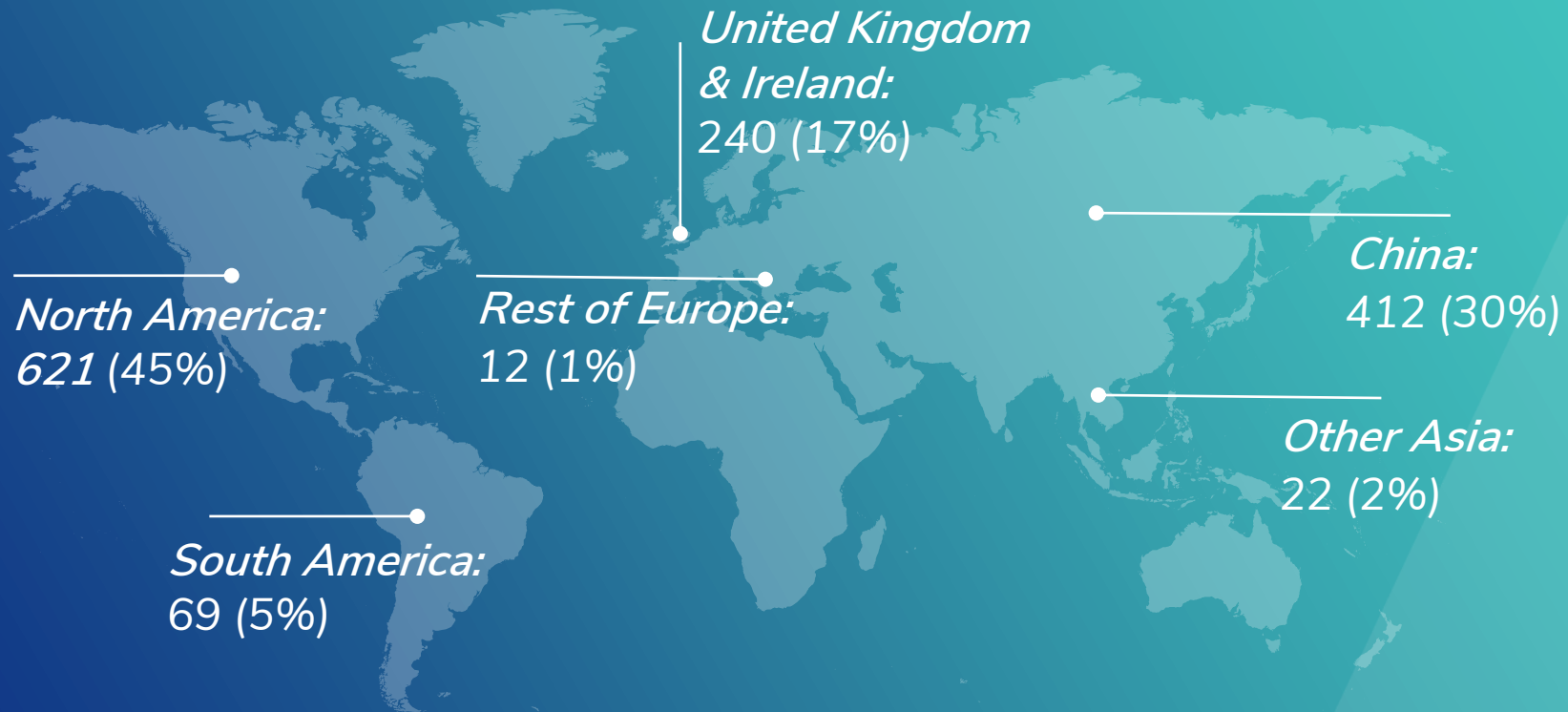
ASR

Empowering brands to **act today and win tomorrow** at a global level

In digital commerce, Ascential is the only well-capitalised player of scale providing consumer brands both global measurement and execution across key retailer marketplaces to grow market share and drive business success.

# We have a truly global footprint with experts across the world

Location of our c.1,400 expert team members

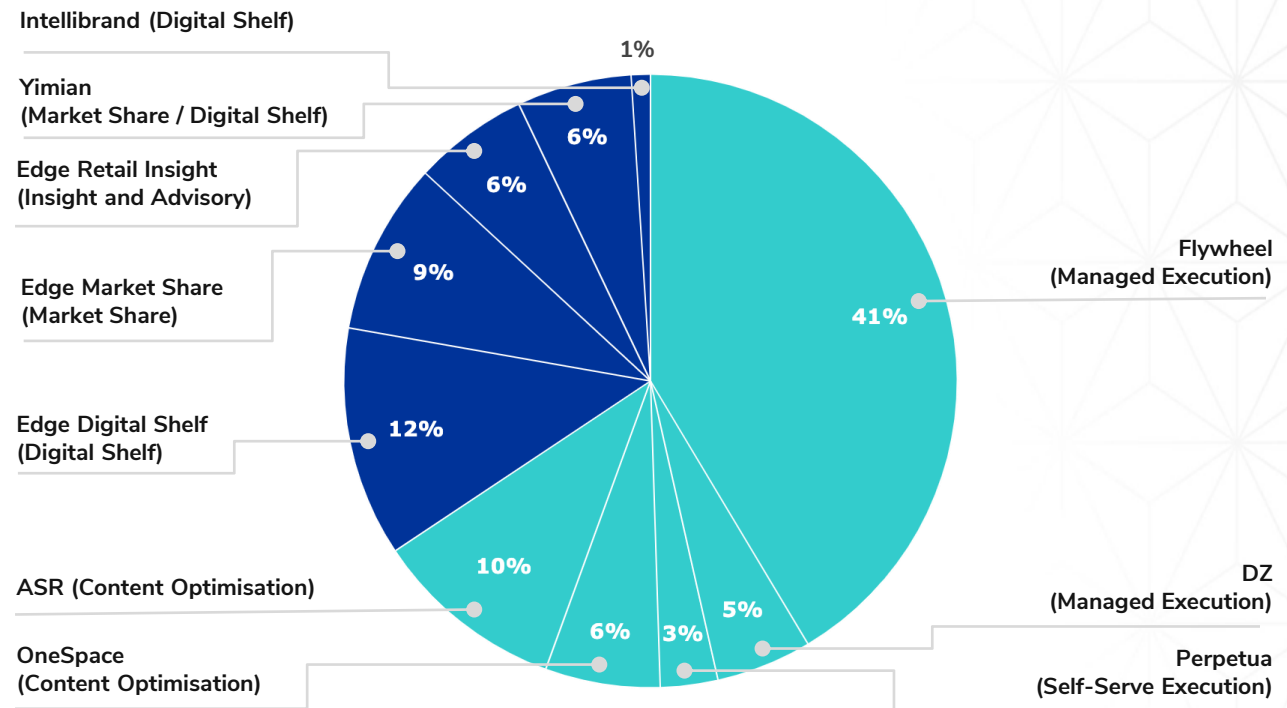


# Ascential Digital Commerce - Revenue by product

LTM June 2021 revenue (£m, Proforma)

Execution:  
66%

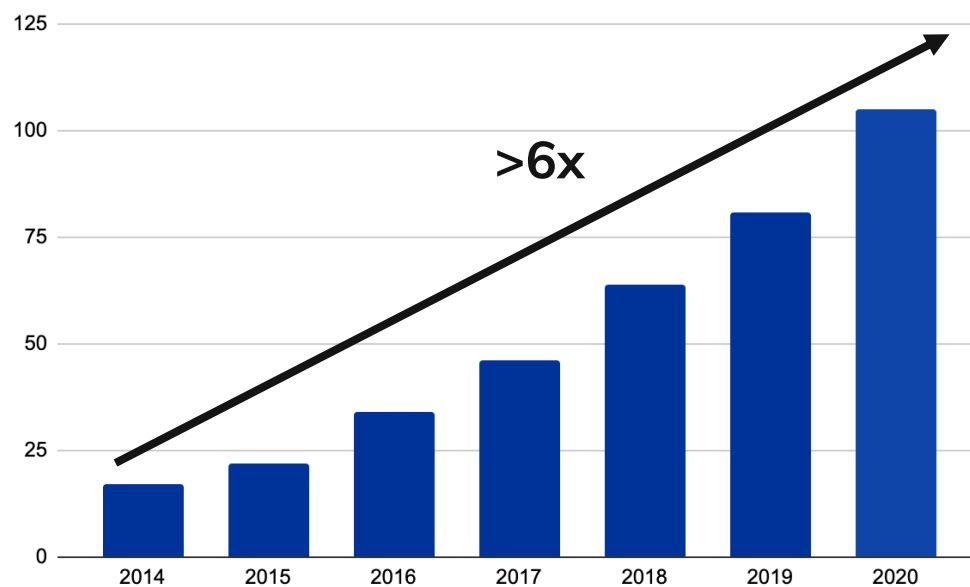
Measurement &  
Benchmarking: 34%





# The Ascential Digital Commerce growth engine

Digital Commerce revenue (£m)



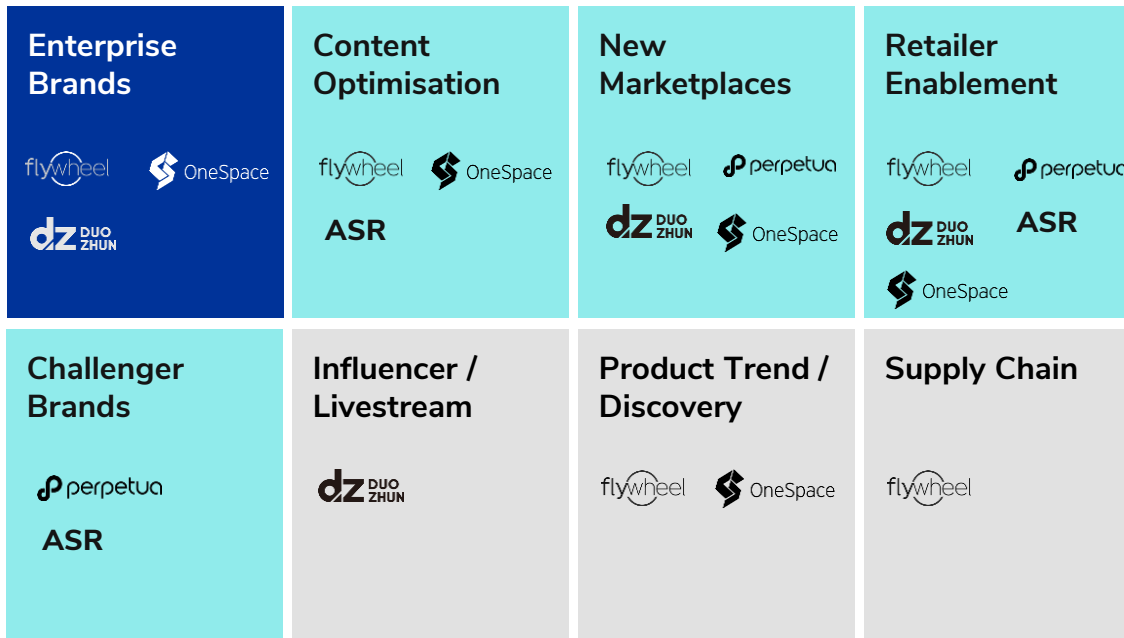
Proforma for all businesses at 2020, as if acquired January 2014

## A support structure to drive growth

- Tech innovation
- Decision science modeling
- Additional clients
- New marketplaces
- Global expansion

# Ascential Digital Commerce - Capability Roadmap

## Execution Platform



## Measurement & Benchmarking



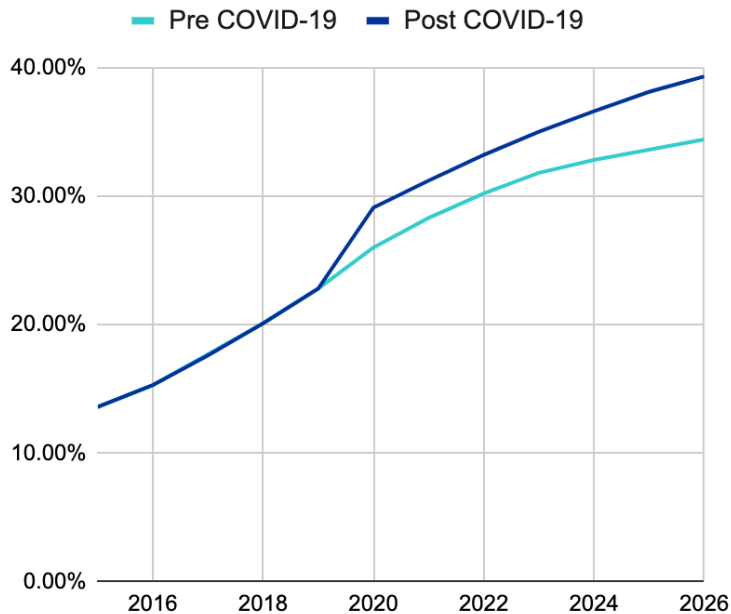
Core offering
  Build out phase
  New and nascent capabilities

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**The Digital Commerce Ecosystem:  
Customer Challenges and the Underlying Market**

# The pandemic-led acceleration of digital commerce is here to stay

## Digital Commerce share of global retail sales



Source: Edge by Ascential Retail Insight 2021

**Disney shuttering at least 20% of Disney Stores as it shifts focus to e-commerce**

J.C. Penney will close more stores in the spring after already closing 150-plus stores since filing for bankruptcy.

DIA To Shutter Clarel Stores In Portugal Retail To Focus On Food

**Dell quits retail in Singapore, Malaysia to move online**

**All Topshop stores to close and 2,500 jobs axed as ASOS buys chain for £295million**

John Lewis considering fresh store closures in response to Covid

Thorntons: Chocolate maker to close all shops putting 600 jobs at risk

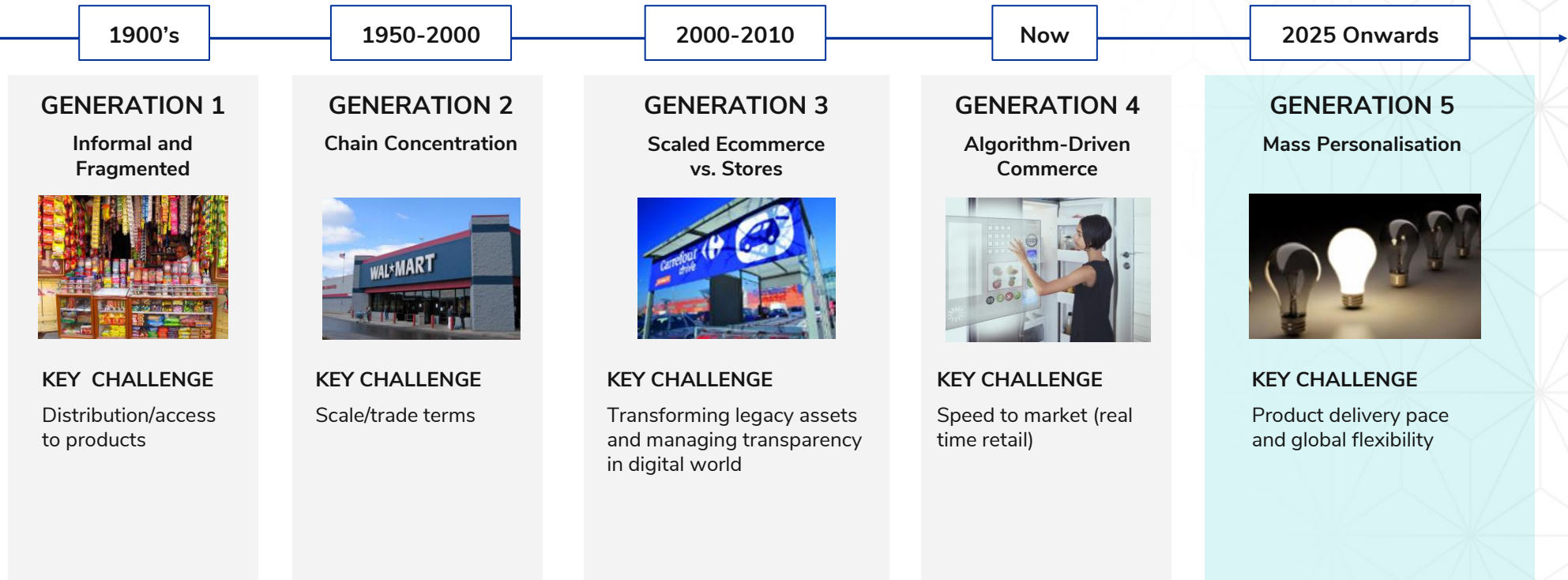
Department store chain Galeria Karstadt Kaufhof closes a third of its shops

**Bed Bath & Beyond is closing more than 40 stores this year.**

**M&S to close 100 stores by 2022**

Perfumery chain **Douglas** is reportedly planning to close 500 of its 2,400 European stores.

# Digital marketplaces will drive industry growth





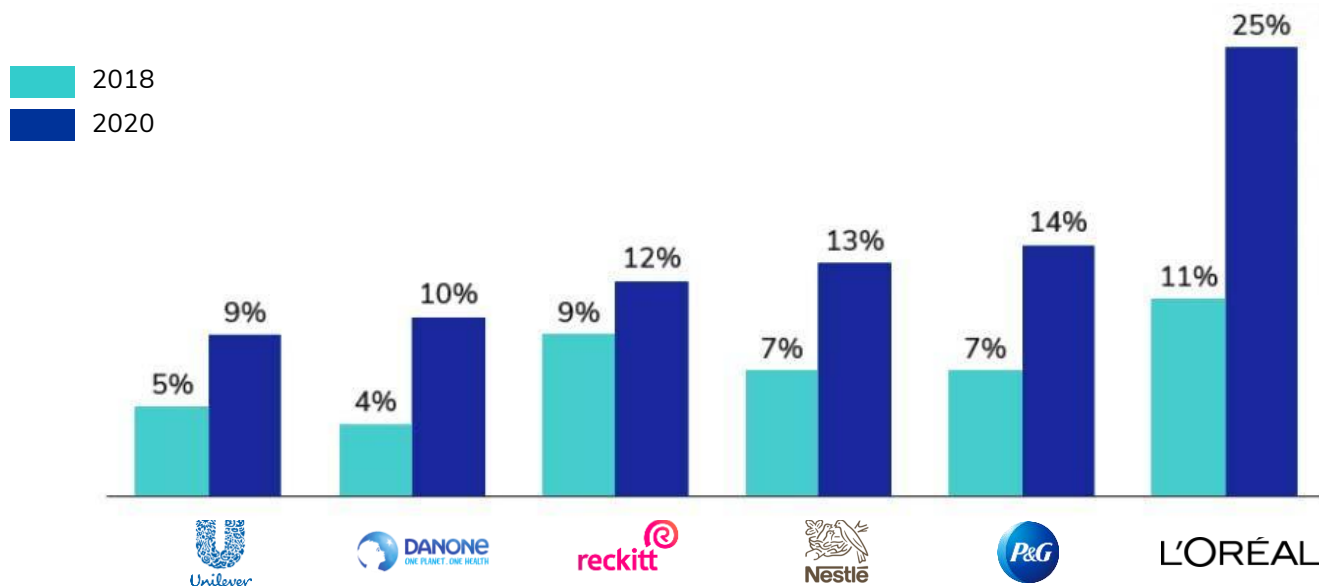
# The landscape will remain extremely fragmented

	China	USA	Western Europe	APAC (India, SEA, Australia)	LATAM
Digital Commerce Sales <sup>1</sup> (FY20)	\$2,300bn	\$800bn	\$560bn	\$120bn	\$100bn
Marketplaces					
Last Mile					
Social					

Source: eMarketer

# Traditional brands have just begun their journey to expand their digital commerce footprint

Digital commerce share of total sales for leading CPG manufacturers, 2018 vs. 2020 (%)



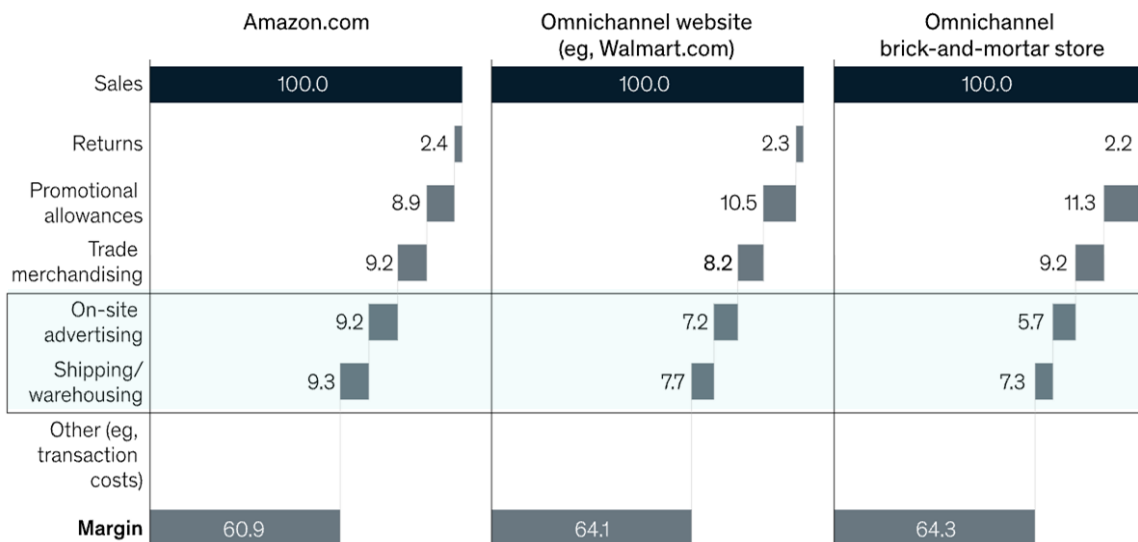
It is only a matter of time before digital commerce becomes the primary channel for brands

Source: respective companies' investor materials

# While digital is driving growth, CPGs are under pressure on margin

Cost margins, % (excludes cost of goods sold)

□ Significantly higher in online channels



McKinsey & Company

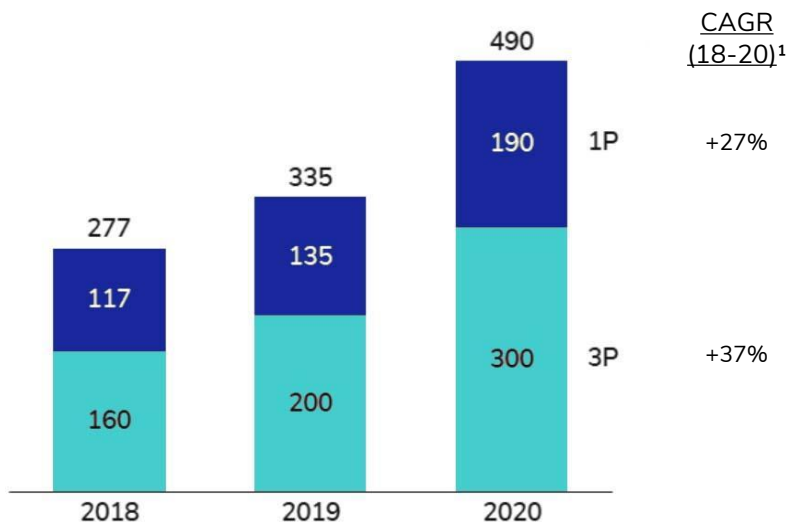
“...the most crucial success factor is a company’s ability to optimize, in a precise and data-driven manner, the three main profit-and-loss (P&L) drivers: marketing investment, costs associated with revenue-growth management (such as trade and promotional spending), and supply-chain costs”

Source: High growth, low profit: The e-commerce dilemma for CPG companies, McKinsey March 22, 2021

# Challenger brands are benefiting from the online channel and taking share from traditional players

## Amazon GMV\*

(US, \$bn)<sup>1</sup>



(\*): GMV refers to Gross Merchandise Value  
Source: (1) Marketplace Pulse

**1P**  
primarily traditional large **Enterprise brands**, using Amazon as a distributor



**3P**  
primarily smaller **challenger brands**, using Amazon as a marketplace



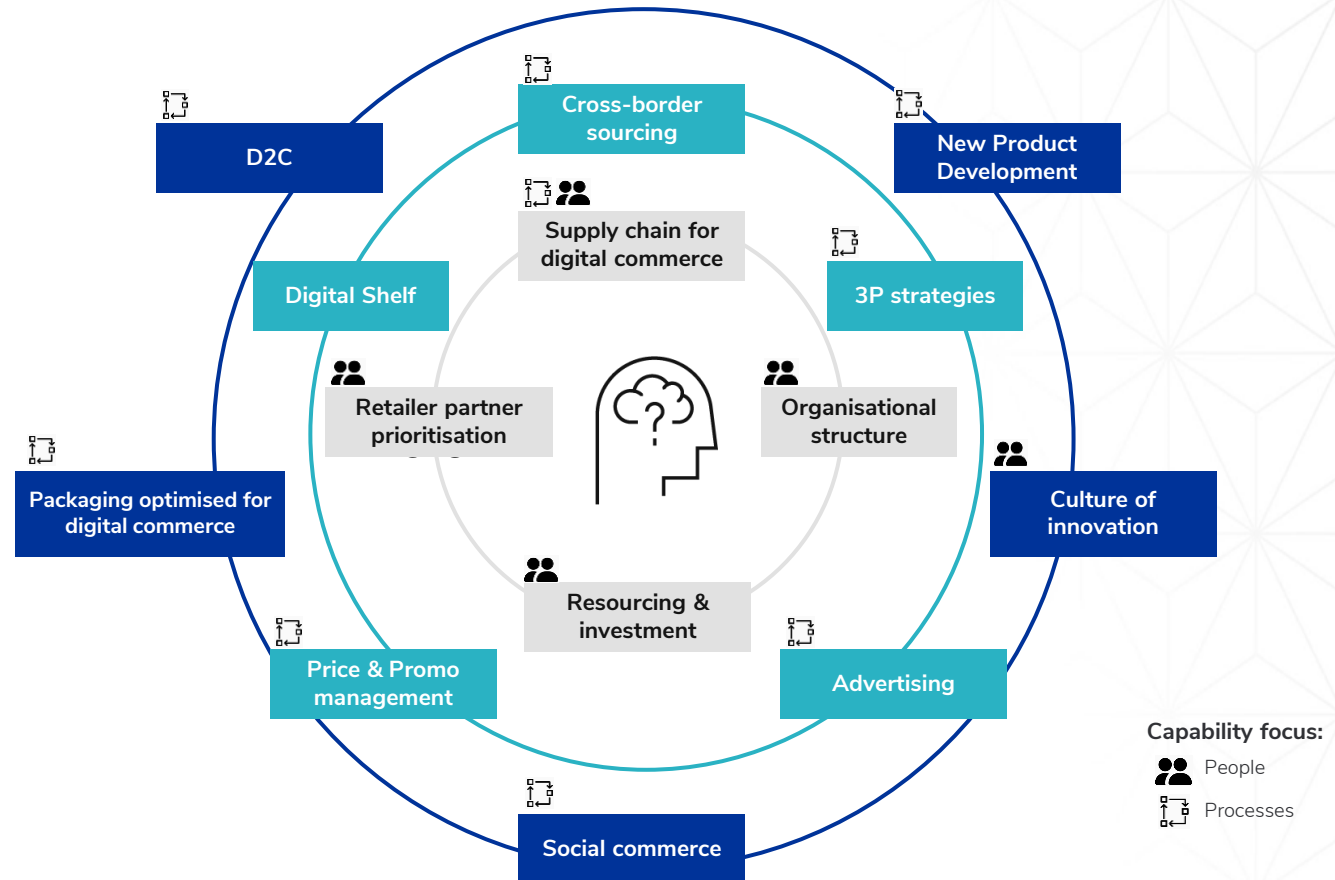
# Succeeding in digital commerce requires a new set of capabilities

## Three layers:

1. Plan

2. Operate

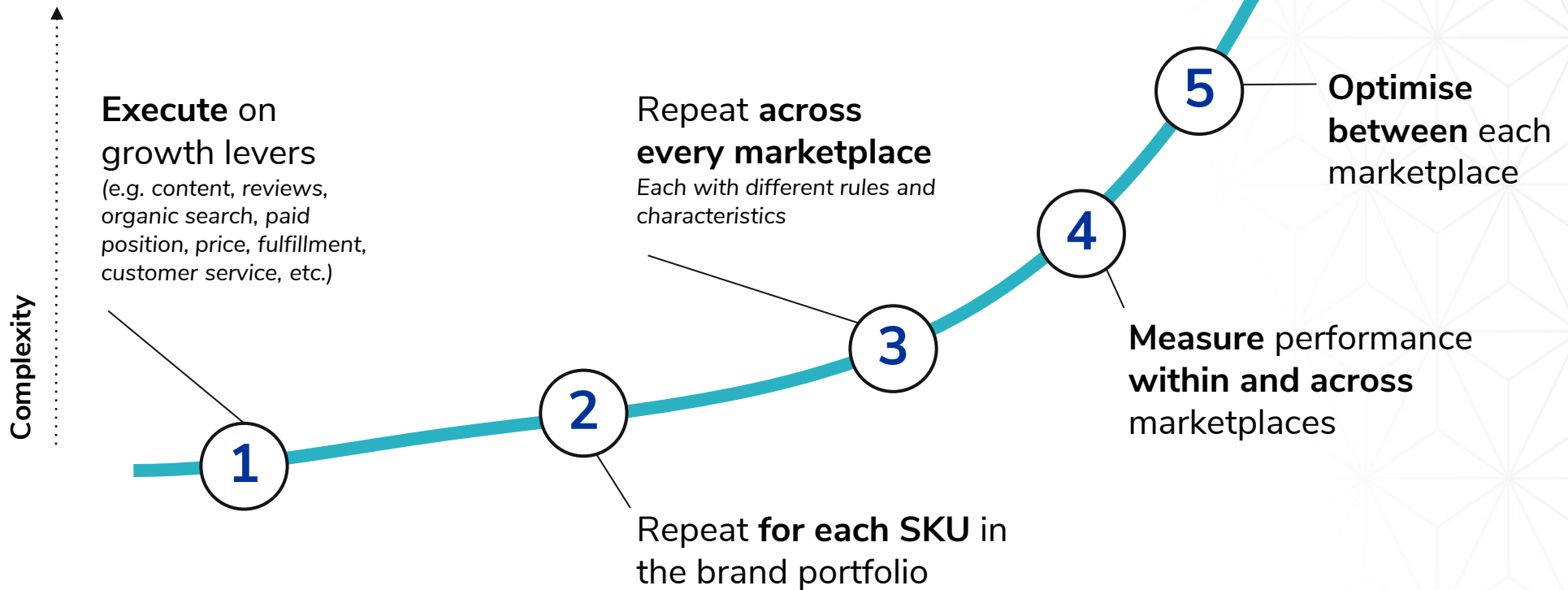
3. Innovate











# ... and huge execution complexity to master

What does a brand have to do to operate in digital commerce?



# Case example: Each marketplace has own rules to master

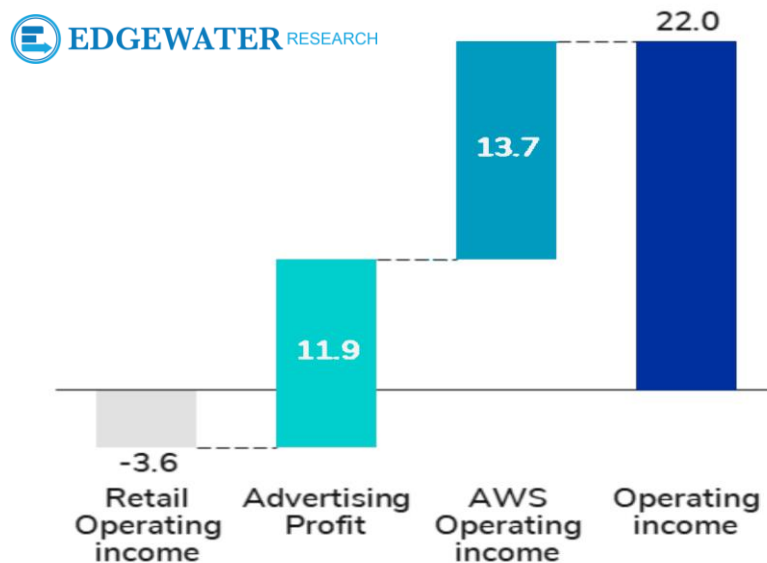
Capability							
<b>Image Count</b>	4	4	1	8 + video	2	1	7-15
<b>Enhanced Content</b>	No	Yes	No	Yes	No	No	Yes, Marketing Style, A+ Content
<b>Mobile Hero Images</b>	Optimised Yes / Hero format no	Optimised Yes / Hero format no	Yes - mix of standards	Optimised Yes / Hero format no	Yes - mix of standards	Optimised Yes / Hero format no	Yes on .com No text on Prime Now
<b>Product Title length</b>	40 - 56	40-55	48-65	45 - 58	44 - 48	40 - 55	100-200
<b>Bullets</b>	In description only	In description only	In description only	In description only	In description only	No	250/each
<b>Hidden keywords</b>	Yes but limited impact	Yes - impacts search visibility	Yes - impacts search visibility	Yes - impacts search visibility	Yes - impacts search visibility	Yes but limited impact	Yes - impacts search visibility
<b>Review Capabilities</b>	Organic + Syndicated (new)	Organic and Syndicated	Organic and Syndicated	Organic Only	Organic Only	Organic and Syndicated	Organic and Syndicated
<b>Search algorithm</b>	Rate of sale driven, Keywords, Shelf	Rate of Sale	Title keyword match led - order of products matches taxonomy order	Taxonomy based - if keyword in shelf name will display shelf / promos shown first	Taxonomy based - if keyword in shelf name will display shelf / promos shown first	Rate of Sale driven, keywords	Most complex, most semantically advanced

Source: Edge by Ascential Advisory 2021

# Advertising is a major growth and profit driver for marketplaces

## Amazon Advertising

Amazon Operating Income Estimates (2020, \$bn)



## Other marketplaces following suit

Some examples

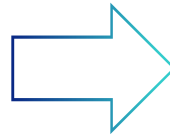


# In conclusion



## Brand challenges

- **Fragmented and dynamic** ecosystem
- Increasingly **sophisticated and complex** to execute on
- Highly **competitive** market



## The opportunity

- **Positive market** economics (large, fast growing, nascent, non commoditized)
- **Critical long-term role** to play supporting brands and the marketplace ecosystem
- Highly **defensible moat**

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## Summary and Levers for Growth

Mandy Gradden

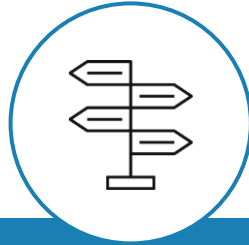


# Our opportunity



## Brand challenges

- **Fragmented and dynamic** ecosystem
- Increasingly **sophisticated and complex** to execute on
- Highly **competitive** market



## Our solution

- **To create the industry technology platform** for brands to enable their growth
  - Across digital commerce marketplaces
  - Managed and self-service
  - Measurement and execution



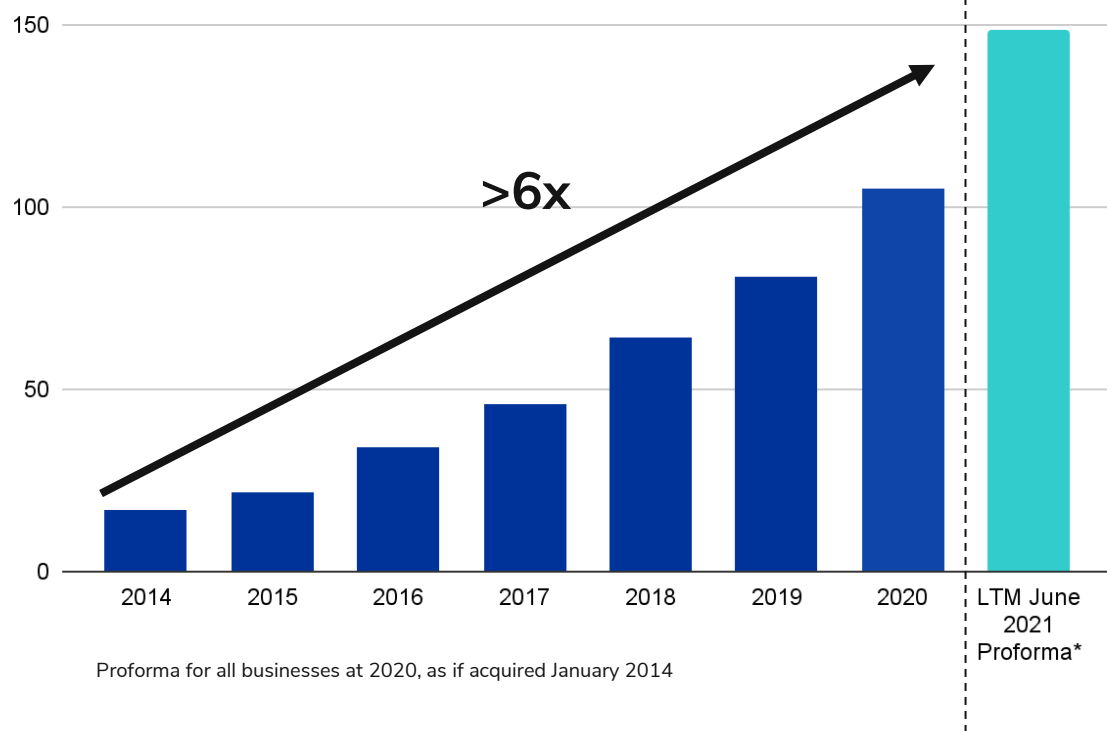
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# We are only getting started

Digital Commerce revenue (£m)

Expansion of our products, marketplaces and geographic coverage

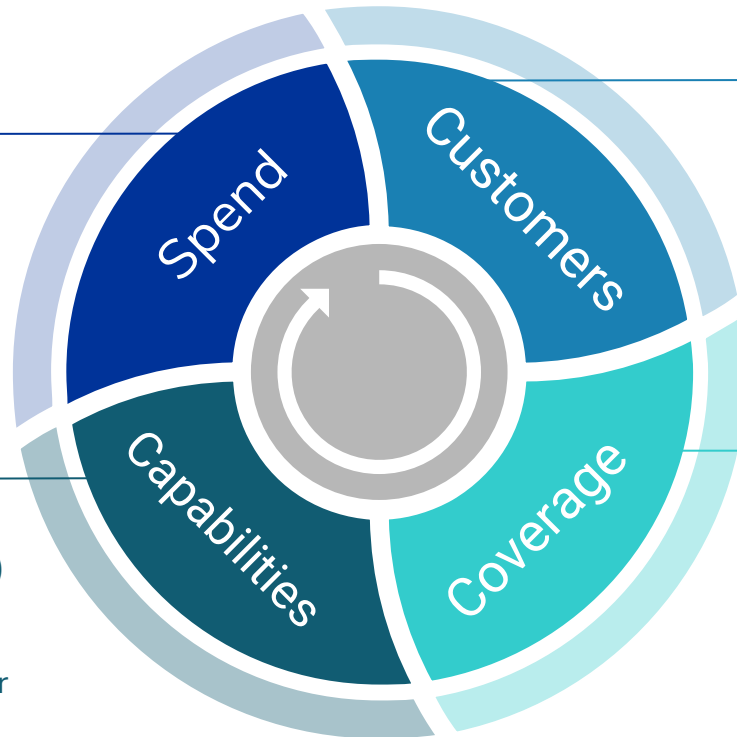


\*Capabilities added in 2021 via acquisition

# Our growth levers

- Increased Gross Merchandise Value
- Increased Ad Spend

- Execution (Media+Retail)
- Measurement (Media+Retail)
- Supply Chain
- Product trend/discovery
- Social Commerce / Influencer



- Enterprise brands
- Challenger brands
- Ecosystem (agencies, publishers, etc.)

- Marketplace coverage
- Geographical coverage

**Supported by market tailwinds and underpinned by the Ascential Platform**

## **Our ambition**

**We are seeking to more than double the current run rate revenues\* of our Digital Commerce business in the next three years....**

**....while maintaining adjusted EBITDA margins of at least 20%.**

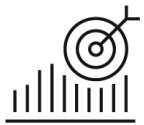
**In addition, we plan to execute carefully selected M&A to extend our capabilities and reach.**

\* Revenue for 12 months ending 30 June 2021, proforma for the full year effect of recent acquisitions, was £149m.

# Summary



**Large and growing opportunity** to create joined up platform to succeed across a fragmented digital commerce landscape



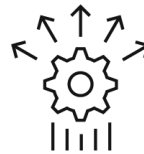
**Strong M&A track record** and proposition to entrepreneurs



**Difficult to replicate data and coverage advantage** - massive global datasets joined together and leveraged across all our products



**World-class platform**, and increasing focus on **innovation and organic development**



**Powerful business models** - recurring subscription and performance based models, benefiting both brand and retailer



**Blue-chip clients** - addressing the most complex challenges for the most demanding clients