BUILDING BLOCKS TO SUCCEED IN MODERN COMMERCE

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This Knowledge Brief will highlight how a Best-in-Class commerce infrastructure helps firms foster innovation to drive continuous competitive gains. It will also reveal the key building blocks needed to enable employees with continuous and rapid innovation.

**You Need to Continuously Innovate to Succeed in Modern Commerce**

Commerce organizations have weathered many changes over the past decade. The ability to disrupt or compete with disruptors determine those that survive and thrive and those that don’t. Many digital disruptors such as Amazon have their competitive strengths in their ability to innovate to find and address evolving trends in the marketplace. Those include evolving customer needs, different products features, more efficient way to deliver customer orders, etc. Behind this innovation is disruptors’ focus on attracting and retaining top-notch talent and a workplace culture that focuses on giving those employees the right tools and knowledge they need to continuously innovate.

Driving innovation and getting ahead of competitors requires establishing and executing the right strategies and capabilities. Aberdeen surveyed 196 commerce organizations across the globe to determine the key factors influencing their performance results. The findings helped determine a group of leading organizations that out-innovate others and excel in modern commerce. Table 1 shows that these innovative Best-in-Class firms (see sidebar) enjoy far superior performance outcomes across areas such as customer-centricity and financial health.

![Best-in-Class Defined](image)

**Table 1: Innovation Helps the Best-in-Class Maximize Performance**

<table>
<thead>
<tr>
<th>Company Performance (n=196)</th>
<th>Best-in-Class</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer retention rate</td>
<td>81%</td>
<td>46%</td>
</tr>
<tr>
<td>Year-over-year improvement in customer satisfaction rate</td>
<td>15.0%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Year-over-year growth in annual company revenue</td>
<td>14.7%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Year-over-year improvement in average order value</td>
<td>13.8%</td>
<td>-2.9%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, February 2018

Before taking a closer look into the Best-in-Class performance results, let’s first observe why the metrics illustrated in Table 1 reveal organizations’ ability to innovate and succeed in modern commerce. Customer retention rates and customer satisfaction rates are commonly used key performance indicators (KPIs) firms use to gauge how they manage customer interactions. Improvement across these KPIs indicates that the company does a good job in listening and understanding customer...
needs. Most importantly, they also indicate that the firm is able to adapt / innovate its ways of doing business to address evolving customer needs.

Customer satisfaction isn’t only important for firms to retain their clientele. It’s also important to grow buyer spend over time — through innovative ways of managing future interactions. Success in growing customer spend is reflected by annual growth in average order value (Table 1).

Lastly, company revenue growth is influenced by companies growing their top-line revenue. It is also influenced by reducing (or eliminating) inefficiencies to decrease costs. Companies can allocate these savings towards activities that will help drive incremental revenue. Empowering employees with a commerce platform that enables innovation therefore helps firms reduce unnecessary costs resulting from inefficient / traditional ways of doing business.

A closer look into the metrics in Table 1 shows that Best-in-Class firms excel across each one of them. Specifically, they achieve 50.0 times greater annual increase in customer satisfaction rates (15.0% vs. 0.3%) and retain 76% more of their clientele each year (81% vs. 46%), compared to All Others. These numbers illustrate that Best-in-Class firms have found the secret of how to continuously and rapidly innovate. As a result, they conquer the hearts and minds of their customers and achieve far superior financial results.

The empowered customers in turn reward Best-in-Class organizations with their loyalty and increased spend. To this point, top performers observe 16.7% greater annual growth in average order value / customer spend (13.8% vs. -2.9%). Accomplishing such growth in buyer spend requires the Best-in-Class to not just track and understand customers, but also manage their activities to continuously deliver value for which the buyers will continue spending with the business. Considering the success of top performers in this area, we can note that the Best-in-Class have mastered how to deliver truly personalized and consistent experiences across all channels — a key expectation of today’s buyers.

You Need the Right Building Blocks to Foster Innovation in Commerce

Unfortunately, solely aiming to become more innovative and customer centric isn’t enough for firms to achieve Best-in-Class results. Companies must establish several building blocks to create a workplace that enables employees to innovate. That starts with the tools (commerce platform) employees use to do their job. Figure 1 shows the capabilities Best-in-Class firms use in their commerce platform.
As noted earlier, the ability to innovate quickly and efficiently is a prerequisite to operate at the speed customers expect today. Best-in-Class firms use technology capabilities that allow them to regularly monitor changes in customer traffic levels (e.g., eCommerce website traffic and number of inbound calls to the contact center) to ensure customers can purchase products and receive support without any delays or interruptions — see sidebar.

In addition to helping manage customer interactions, a commerce platform providing agility helps firms optimize their supply chain activities. For example, tight integration between supply chain systems and the commerce platform helps track real-time inventory availability and ensure that even at times of peak customer traffic, buyers are provided with visibility into real-time product availability. This in turn helps minimize potential customer frustration due to finding out order delivery will be delayed or that the purchased item was actually no longer in stock. Such integration across all commerce-related systems is a fundamental building block companies must establish in order to find innovative ways of addressing changing customer expectations.

Commerce organizations rapidly increase the number of channels (e.g., web, live chat, and email) they use to interact with customers. Adding a new channel means that the company must build new processes and adjust existing ones to have a seamless view of customer and operational insights. Doing this isn’t always easy. Traditionally, employees in the commerce organization require IT support to change commerce workflows. This slows down the employees from finding and implementing changes, and hence disrupts innovation. Figure 1 shows that Best-in-Class firms are 66% more likely to use a commerce platform that enables them to easily create and modify workflows with minimal to no IT support (53% vs. 32%). Eliminating

Cloud Supports the Ability to Better Innovate

Traditional (on-premise) commerce platforms require firms to add new hardware when the firm needs to expand its activities to address increasing customer traffic. This requires up-front capital investment in hardware and implementation — reducing the operational and financial agility of the business.

In comparison, a cloud-based application delivery model allows firms to access commerce capabilities without a hardware purchase or lengthy implementation times. Companies can instead add or remove licenses to scale based on varying operational needs. This means cloud-based commerce organizations can scale up more quickly with less up-front cost when customer traffic increases and scale down just as quickly at times of decreased traffic. Cloud also enables firms to provide employees with key capabilities that that help them innovate more economically.
inefficiencies such as overreliance on IT is one of the key reasons why the Best-in-Class “out innovate” All Others.

Being innovative also means finding new ways of doing business that will help the firm achieve desired results faster. To this point, Figure 1 shows that Best-in-Class firms are 45% more likely to prescribe / recommend employees in the commerce team with next-step guidance (55% vs. 38%). With the help of artificial intelligence (AI) and machine learning (see sidebar), this guidance can be automated, requiring minimal employee oversight by supervisors. Meanwhile employees can be provided with precision guidance to help them do their jobs. This in turn helps employees become more engaged and productive in their role — key characteristics of disruptor firms that out-innovate others.

AI-powered insights can help employees across several areas. It can analyze vast volumes of structured and unstructured data on customer behavior to help employees with personalization and consistency of customer interactions. It can also analyze fulfillment data to reveal inefficiencies that employees can use to find innovative ways to address. Figure 2 shows that Best-in-Class firms that utilize AI-infused commerce insights are 41% more likely to deliver omni-channel (consistent and personalized) customer interactions, compared to All Others (76% vs. 54%).

Figure 2: Top Performers Use AI to Inject Greater Intelligence into Omni-Channel Programs

Other commerce platform capabilities used by the Best-in-Class include mapping and managing customer journeys and using root-cause analysis to determine the key factors influencing these journeys. To map customer journeys, firms must first make sure that all the systems involved in their commerce activities are well integrated — resulting in seamless views of customer and operational data. Once a single view of customer and operational insights is established (and maintained) through a top-notch commerce platform, this allows firms to then build accurate maps of customer journeys to understand how buyers become aware of the brand, how they educate themselves about the company, and how they evaluate products and services.
Figure 2 shows that the Best-in-Class are 41% more likely to build such journey maps, compared to All Others (52% vs. 37%).

Incorporating technology capabilities such as machine learning allows firms to determine commonalities across specific customer segments. It also helps determine the ideal message, timing, and content to move buyers across different stages of their journey to become loyal customers. Companies can also use artificial intelligence to automate certain commerce activities such as answering product pricing questions through a chatbot on the company website. Overall, commerce platforms providing such cognitive capabilities help boost productivity of employees by allowing them to access and use deeper and more relevant insights. These capabilities also allow firms to automate certain interactions to minimize customer effort — all hallmarks of companies that innovate their way into the hearts, minds, and wallets of their customers.

**Key Takeaways**

Despite the growing complexity affecting commerce organizations, commerce leaders never had such a rich set of technologies they can use to overcome their challenges. To differentiate themselves from their peers, the modern commerce organizations must follow the below steps:

- **Continuously foster innovation.** Commerce organizations that stand out with their ability to innovate do so by enabling their employees with tools that help them do their jobs better. Data shows that the top performers are 62% more likely to report year-over-year improvement of time-to-market. This is a metric reflecting the time it takes an organization to bring a new product/service or a redesigned version to the marketplace. Improving (decreasing) this metric requires firms to do an outstanding job in innovation, and hence success in this area is truly reflective of firms being more innovative. Considering that the Best-in-Class report such greater performance in this area, we can validate the building blocks they put in place truly help them disrupt competitors or compete with those disrupting their industry.

- **Put the power of technology on your side.** This means overcoming the burdens of fragmented views of customer and operational data. It also means taking advantage of the benefits of cloud technology by providing employees with cost-effective ways of accessing critical tools and knowledge through a top-notch commerce platform. Layering capabilities such as artificial intelligence will help maximize use of these insights to achieve superior performance outcomes. Specifically, it’ll optimize your data analysis efforts and will help prescribe employees with recommendations that will help them excel in accomplishing their goals.
• **Plan and execute a top-notch commerce program.** We recommend examining the key building blocks highlighted in this document to determine which capabilities your commerce platform is currently missing. This will help devise a plan to bridge the gap between your activities and those of the Best-in-Class. Doing this will help you align your performance with that of top performers, and also ensure you maintain your superior results by continuously innovating and staying aligned with evolving buyer needs.

**About Aberdeen Group**

Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

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