Reinventing Commerce

Focus on Asia

In association with

SITECORE

Econsultancy

Focus on Asia

Reinventing Commerce, produced by Econsultancy in partnership with Sitecore, explores the path to growth through a landscape defined by rapidly changing consumer behavior, a growing demand for personalization and the influence of macro-players of enormous scale and international influence on consumer expectations.

This report is based on a quantitative study of over 1,200 merchandising, ecommerce and marketing executives in retail, CPG/FMCG and branded manufacturing in twelve countries across North America, Europe and Asia.

In this special section, we examine selected findings for Asia to highlight key similarities and differences with the international averages.

The Challenges to Growth

Business models in commerce are under stress around the globe and Asian countries are no exception, with 63% saying that their business models are "under significant or extreme pressure to adapt to changing market conditions and customer behavior."

Even for larger sellers like those in this study, there are headwinds in online retail, with Amazon, Alibaba already staking large claims across the region. These companies set the bar for consumers, defining their expectations throughout the customer journey for convenience, personalization, pricing and fulfillment.
Along with rapid changes in consumer technology, this competition technology is contributing to a number of internal shifts within Asian companies as they modernize their digital infrastructures and strategies. For example, 41% say that market pressures are creating an environment where marketing is taking a greater role in leading their companies.

Asian respondents describe a divide in how their organizations are dealing with changing market forces; 48% say that these conditions are "creating a willingness to invest in the technologies and capabilities we need to compete in customer experience" while a full 44% say that they contribute to an environment that "overemphasizes what's working today at the expense of long-term thinking."

The New Model for Growth: Experience + Commerce

It's in this context that some companies are moving toward a model of marketing and commerce based on using personalized experiences to create loyal, long-term customer relationships. This is an area where Asian respondents track closely with the global average; 82% say that "[their] success as an ecommerce business depends on our ability to create compelling customer experiences."

However, while the theory of moving to a more customer-centric model has strong support, working marketers and merchandisers don't necessarily see their organizations shifting priorities in the short to medium term.

Customer experience has implications and effects throughout the customer journey, but its first and best use case is to increase retention. Happy, engaged customers come back again and again. They broadcast their happiness to others and their brand preference can equate to better margins and even some degree of forgiveness for a late package or missing item.

But to commit to the model with customer experience at its center requires companies to make significant changes to their traditional investment approach, which has emphasized new customer acquisition over other areas. Experience-based models inherently rebalance corporate attention away from "top of the funnel" activities toward service and retention components.

The table below describes how respondents in Asia see their organizations' strategies shifting over the next three years, with acquisition giving way to retention over the next three years.

HOW ORGANIZATIONS PRIORITIZE INVESTMENT AND STRATEGY BY CUSTOMER JOURNEY PHASES

	Global Today	Global 3 Year	Asia Today	Asia 3 Year
Acquisition	1	2	1	2
Purchase	2	3	3	3
Retention	3	1	2	1
Consideration	4	4	4	4

Overall, Asian companies see a similar path. They cite retention as their second priority to acquisition today with a swap of the two taking place over the next several years.

One reason for this shift is that it's coupled with the drive and ability to compete on customer experience. Eighty percent of Asian respondents say that "customer experience is the element over which we have the greatest control, in contrast to pricing, product and market factors."

Defining the Path Forward: Success Factors for Organizations in Asia

People and capabilities for better experience – Asian respondents are generally on par or somewhat behind their global counterparts when it comes to educating and organizing their staff to reflect changing priorities. Only 32% say that they are strategically investing in staff, training and technology to support better experiences. Meanwhile, 28% say that their structures have evolved to having a dedicated customer experience team that focuses across the journey from acquisition through loyalty, considerably below the global average of 40%. More encouragingly, two in five Asian respondents say that their organization's ability to use content throughout the customer journey is sufficient for growing the business quickly, ahead of the international average (30%).

Processes for rapid adaptation – Asian companies report a weakness in agile development processes (28% say they use this approach today) and lag global average in teams' access to metrics/insights (31% vs. 39%) and when it comes to 'test and learn' (32% vs. 39%). Only one in three respondents says that their organization reinforces a customer-centric ethos through incentives, cultural routines and celebrations.

Technology investment and collaboration – Asian marketers are positive around their ability to take advantage of new technologies in marketing and merchandising – 40% view this capability as being sufficient for growing their businesses quickly. This is the one of the highest percentage globally, contrasting with an average of 35% and highest share in North America at 47%.

It's of concern that respondents in Asia lack confidence in their ability to support new technology with sufficient human resources and identify marketing/IT collaboration as a weak spot; only 28% are confident that marketing and technology teams will work together effectively to co-create the ecommerce technology road-map. A similarly low share (24%) is confident that their organization will implement new technologies to achieve evolving strategic goals.

Advantages to build on: Asked to compare their own capabilities with those of the macro-ecommerce platforms (Amazon, Alibaba, etc.), respondents in Asia see themselves having a strong advantage in product knowledge and some advantage in first party data.

Areas of concern: Asian companies give themselves low scores on technology and online customer experience in comparison with Amazon, et al. Most importantly, while 40% of commerce companies say that they are able to grow the business with their current ability to optimize the end customer experience, they are concerned with having the tools to keep doing so; only 26% report having a commerce system that recognizes and can personalize at an individual level.

Reinventing Commerce

How retailers, CPGs and manufacturers can compete with content and experience

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Reinventing Commerce, produced by Econsultancy in partnership with Sitecore, explores the path to growth through a landscape defined by rapidly changing consumer behavior, a demand for personalization and the influence of macro-players with international reach and enormous scale.

This report is based on a quantitative study of over 1,200 merchandising, ecommerce and marketing executives in retail, CPG/FMCG and branded manufacturing in twelve countries across North America, Europe and Asia.

The playing field has narrowed for many commerce players. There's not enough margin to compete on price for the long term. Standards for fulfilment are so high that it's challenging to meet them, let alone differentiate. Few products are so unique that their sellers can stay ahead of the market.

What's left? The customer experience.

In a world where Amazon and other large platforms dominate in audience, the opportunity for growth is in the one-to-one customer relationship. It is in knowing the product and customer well enough to provide an experience that's worth repeating.

Selected Findings

Most Retailers, CPGs and branded manufacturers are under pressure to reinvent their business models and go-to-market strategies

- Nearly 60% of organizations globally report that their business model is under “significant” or “critical” pressure to adapt to changing market conditions. For a third of them, that pressure could threaten their very existence within 36 months.
- Even for companies that are not squarely in the business of selling directly to consumers, the reach and features of global ecommerce platforms are driving strategy. In order for them to compete, it requires the data and customer experience management capabilities to differentiate.
- Changes in customer behavior are a primary cause of market disruption, but two-thirds of global respondents report that they do not have enough customer data to fully understand the customer journey, ranging from a low of 55% in Germany to over 75% in Japan.
- Many businesses see content as their differentiator moving forward, but half say it’s difficult for them to adequately address the volume of content needed across personas and products.
- Respondents see the possibility and dangers in an ecosystem dominated by macro-platforms such as Amazon, Alibaba, et al. Nearly the same percentage consider the top tier ecommerce players to be a significant opportunity for growth (47%) as say they are concerned about working with them (46%).
- In response to the challenges of the market, over 80% of respondents around the globe say that “our success as an ecommerce business depends on our ability to create compelling customer experiences.”

A majority of companies see a new model for growth based on combining their commerce expertise with customer experience.

- The capabilities seen as most necessary to ensure growth include quickly deploying content, producing personalized content and rapid customer research throughout the buying journey.
- Despite the priority of personalization, less than 40% of companies report that they have a system that can personalize for individual consumers.
- A majority of respondents in retail, CPG/FMCG and branded manufacturing see their competitive advantages in knowing the product and the customer, underpinning the strategy to focus on customer experience.
- The relative importance of customer lifetime value is expected to rise in priority by all types of commerce business. Retailers and branded manufacturers both predict that retention will displace acquisition as their company’s top priority within three years.
- Seventy-five percent of ecommerce companies see customer experience as a factor they can control, in contrast to pricing, product choice and market factors.
- A large majority of respondents see content as a way to support retention, stand out from competitors and a way to make the customer conversation about their value instead of price.

%

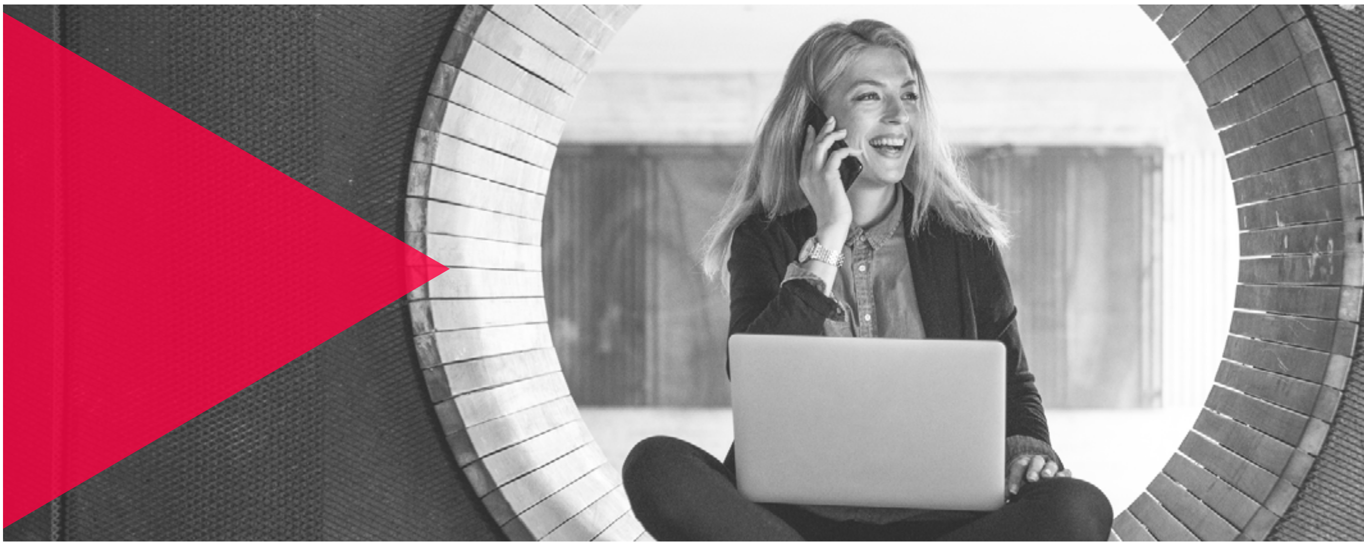
Among retailers, only 44% report that they have a commerce system that's tailored to their needs.

Commerce companies' vision for growth is hampered by organizational and capability gaps

- Structural supports such as executive management backing and cross-functional approach to CX are significantly more likely among companies that have well adapted business models, but they are lacking in the majority of companies.
- Only 39% of companies globally have teams that are oriented around the entire lifecycle in contrast to traditional functional silos.
- Only one- in-three companies report having a personalization capability that's sufficient for growing their business quickly.
- Among retailers, only 44% report that they have a commerce system that's tailored to their needs, and that figure drops significantly for CPG/FMCG (33%) and branded manufacturers (30%).
- Lack of trust in marketing data is a significant issue for two-in-three companies, with insufficient training, complexity and poor translation between multiple systems also cited as the top reasons.
- Investment in customer experience technologies is on the rise, with customer feedback management, customer analytics and commerce platforms among the areas seeing fastest increase.

Also in *The Reinvention of Commerce*

- *Where do companies see themselves as having an advantage over Amazon and the other macro-platforms?*
- *How to make the case for customer experience emphasis and investment using market leaders.*
- *Which channels are expected to be the fastest growing sources of revenue over the next 5 years.*
- *What are the factors holding back most businesses from fully taking advantage of marketing and merchandising technologies?*
- *How to stand out by deploying best practices in customer experience processes.*



2.1 Methodology

The research presented here was designed and executed by Econsultancy. This report is based on findings from an online survey fielded in Q1 of 2019 to select third-party lists which garnered 1,276 respondents globally. Survey takers were offered an incentive for their time.

- The study focuses on three areas of commerce – retailers (N=615), CPG/FMCG companies (N=338) and branded manufacturers (N=181). "Branded" manufacturers were qualified based on their customer relationship, either through having direct sales or advertising directly to end consumers.
- Companies with less than $50MM or its equivalent in 2018 revenues were disqualified Over 50% of the companies in the study had revenues above $250MM, with 20% above $1B.
- To qualify for the study, respondents had to be directly involved in online merchandising or ecommerce and/or have a strategic role related to commerce marketing and/or online merchandising.

See Section 8: Appendix for a breakdown of respondents by geography.

Note that all *Global* figures are averages across the 7 regions and will therefore not represent an average across company types.

2.2 About Econsultancy

Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy has offices in New York, London and Singapore.

Econsultancy is used by over 800,000 professionals every month. Subscribers get access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription is supported by digital transformation services including digital capability programs, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as running events and networking that bring the Econsultancy community together around the world.

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3 Foreword by Sitecore

Digital experience is the great equalizer. We see evidence of this everywhere – new upstarts in the CPG space disrupting well-established global conglomerates, traditional arms-length manufacturers building deeper relationships with end customers, and retailers delivering the type of personalized online customer experiences that were once only possible in the brick-and-mortar world.

Digital experience is also a great transformer. Stakes are high, as ecommerce behemoths like Amazon, Alibaba, and others are forcing organizations in nearly every industry to reinvent and reimagine their business models and go-to-market strategies. Companies are facing significant competitive pressure from both traditional and non-traditional sources, as digital innovation elevates the expectations of all customers.

In a world where products are becoming increasingly commoditized, how can you differentiate your organization from the competition? The answer: provide a superior digital experience for your customers to build lifelong relationships.

At Sitecore, we enable organizations to capitalize on this market reinvention through the Sitecore Experience Commerce (XC) solution. We're dedicated to helping companies reach the next digital commerce level by engaging customers throughout their entire buying journey.

I invite you to review the data, trends and most importantly the insights presented in this report to learn how you can begin taking concrete steps toward becoming a digital-first business.

Wanda Cadigan
Vice President, Commerce Sales
Sitecore

3.1 About Sitecore

Sitecore is the global leader in digital experience management software that combines content management, commerce, and customer insights. The Sitecore Experience Cloud™ empowers marketers to deliver personalized content in real time and at scale across every channel—before, during, and after a sale. More than 5,200 brands—including American Express, Carnival Cruise Lines, Kimberly-Clark, and L'Oréal—have trusted Sitecore to deliver the personalized interactions that delight audiences, build loyalty, and drive revenue.

For more information visit sitecore.com.

4 The Challenges to Growth

One of the original agents of digital change, ecommerce itself is today under stress. Globally, 61% of executives describe their business model as being under "significant" or "extreme" pressure to adapt to changing conditions.

The pressure is international, and relatively uniform.

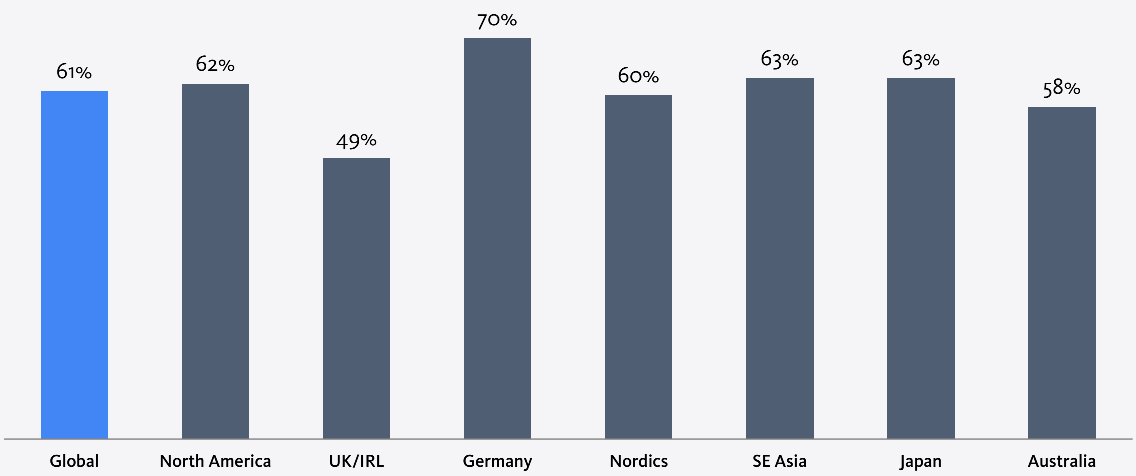
For just over one-third, the prognosis is critical; 34% say that "market pressures are such that our model has to change or we may go out of business in the next 36 months."

There is no singular, overarching challenge. The issues are complex and commerce businesses are in the process of evolving to meet them. New approaches are necessary for how they organize themselves, establish new processes, implement technology and add capabilities.

Globally, 61% of executives describe their business model as being under "significant" or "extreme" pressure to adapt to changing conditions.

Figure 1: Commerce models under pressure (by region)

Current business model is under "Significant" or "Extreme" pressure to adapt to changing market conditions/customer behavior.



NN=1,084

% Nearly 65% of global respondents report that they don't have enough customer data to fully understand the customer journey, ranging from a low in Germany (55%) to over 75% in Japan.

4.1 Complex behaviors demanding to be understood

Changes in consumer/customer behavior are the top ranked cause of market disruption and therefore, of commerce transformation.[1] Today's consumers have been branded "entitled" and with good reason; they don't think about the freedom to get anything anywhere, they simply expect it.

Building a business that can capitalize on those changes rapidly depends on having sufficient first-party data that describes individual needs and shifts in audience behavior.

Nearly 65% of global respondents report that they don't have enough customer data to fully understand the customer journey, ranging from a low in Germany (55%) to over 75% in Japan.

A principal issue is that most businesses don't have the ability to collect and use the necessary first-party data throughout the buyer's journey. Depending on region, anywhere from 60%-75% of organizations report that today they are unable to consistently collect data across the journey from consideration to purchase and beyond.

Yet, data collection is the lowest hurdle. As outlined in Section 6, data quality and fragmentation, as well as a lack of tools or analyst resources all contribute to the marketer's challenge in putting data to work.

There is no end in sight to the convulsions in customer behavior. In a 2018 Econsultancy study across eight consumer sectors, more than 70% of senior marketing executives said that they expected the pace of change in their end customers' behavior to increase over the next 36 months.[2]

1 *Econsultancy, Omnibus Research 2018 in Automotive, Consumer Services, Financial Services, High Tech, Retail, Travel, and Wellness N=792*

2 *Econsultancy, Omnibus Research 2018 in Automotive, Consumer Services, Financial Services, High Tech, Retail, Travel, and Wellness N=792*

4.2 Keeping up with the need for content

Many commerce businesses see content as their differentiator, a way of using their product and market knowledge to gain an advantage.

Over 80% of global respondents say that "relevant content is what gets customers to come back." In a nod to the shift toward customer-focused strategies, over 75% of executives go further, saying that "content is the strategic key to growing customer lifetime value."

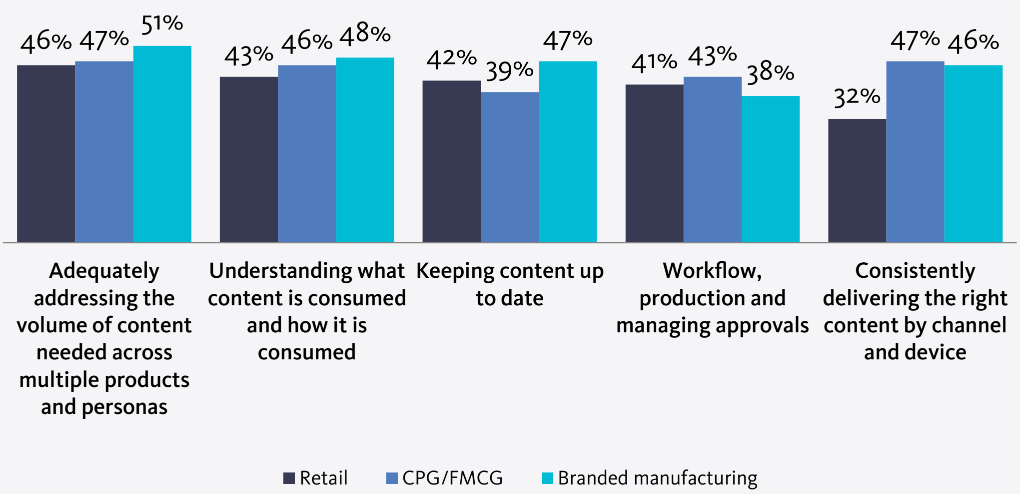
But content demands are significant and ongoing. Marketers and merchandisers must understand what their customers need and what content they will respond to, as well as in what formats. Forty-seven percent of respondents say that it is difficult for their organization to understand what content is consumed and how it is consumed.

Many organizations haven't yet built the systems to deliver content at scale and on schedule. Half of global respondents say that their organization finds it difficult to adequately address the volume of content needed across multiple personas and products. Not surprisingly, over 40% report that content workflow, production and approvals are challenging.

Over 80% of global respondents say that "relevant content is what gets customers to come back."

Figure 2. Challenges in producing and managing content (by company type)

"How difficult are the following in relation to using content across the customer journey?" ("Somewhat difficult" + "Very difficult")

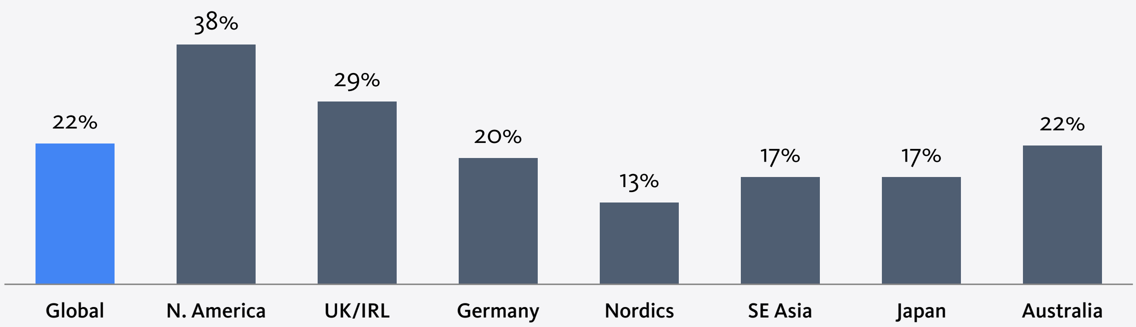


*Note: **Branded manufacturing** includes direct to consumer manufacturers and those with significant end consumer exposure through direct advertising and/or ecommerce.*

N=1,068

Figure 3. Use of Amazon, et al. as a direct sales channel (by region)

"We currently use platforms such as [Amazon / Alibaba et al.] as a direct sales channel."



N=1,078

4.3 Competition and opportunity with macro players

The challenge and opportunity of developing a customer experience based business doesn't exist in a vacuum. Regardless of sector or product, every commerce company is competing with Amazon, Alibaba and the other macro commerce platforms because they continually redefine the experience expected by consumers and increasingly, B2B buyers.

These platforms are simultaneously partners and direct competitors for many businesses. Nearly the same percentage consider the top tier ecommerce players to be a significant opportunity for growth (47%) as are concerned about working with them (46%).

Those concerned with this complicated relationship focus on whether top selling products may get competition from the platforms themselves (42%) and if the access to customer data is equitable (36%). The nuance is captured by the 37% who say "We feel like we are teaching [the large commerce platforms] how to do our business."

Nearly the same percentage consider the top tier ecommerce players to be a significant opportunity for growth (47%) as are concerned about working with them (46%).

4.4 Competition and opportunity with macro players

Across all regions, only 13% of responding organizations say that their business model is "well adapted" to changing market conditions and consumer behavior. Clearly, companies across the spectrum are at a crossroads.

One option is to sit still. Of the 87% of companies whose business models are under some degree of stress, nearly 40% say that "market pressures are creating an environment that overemphasizes what's working today at the expense of long-term thinking." This response is pronounced in Japan and Australia where just under half of all executives see this approach driving strategy.

Fortunately, most companies see that the only real option is evolution. The vast majority of respondents believe that long-term growth is linked to shifting to a customer-focused model.

In fact, over 80% of respondents around the globe say that "success as an ecommerce business depends on the ability to create compelling customer experiences."

This approach is a response to the shift in power from manufacturers and middlemen to end consumers. As the internet has eliminated scarcity in choice from the shoppers' equation, sellers have had to rethink the value exchange.

As Amazon and others have clearly demonstrated, convenience is one of the dominant forces in decision making. But in many purchases, convenience isn't defined by the fewest clicks or easy returns in-store. It can also mean that a shopper gets the right help in making an informed or inspired decision.

With so many choices, the consumer has the luxury of making one that's right for them, but between a crowded online marketplace, product commoditization and easy access to worldwide supply chains, finding the right solution among many is a challenge.

%

Over 80% of respondents around the globe say that "success as an ecommerce business depends on the ability to create compelling customer experiences."

Highlighting the issue, in a 2017 study of over 2,000 North American consumers, nearly 80% said that it would be "incredibly useful" if technology could help them easily find the products and options that are right for them.[3]

In the model that's developing, understanding the individual and supporting their decision journey with valuable, personalized content is the path to building a lasting relationship. This plays to the strengths of many of the respondents in the study; knowing their customers, markets and products better than their largest competitors.

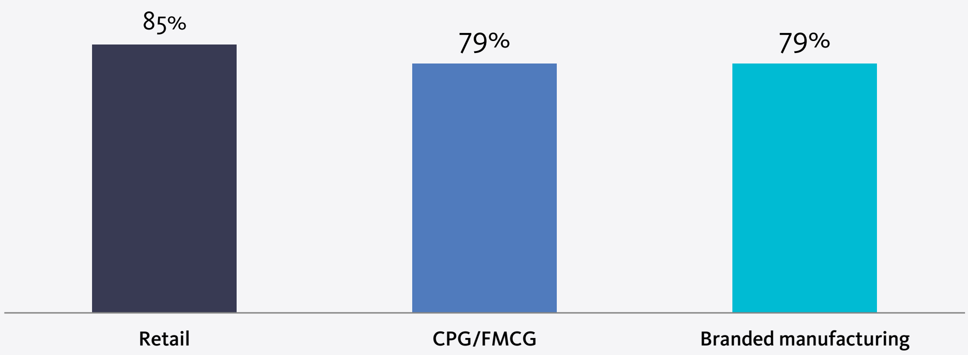
The belief in the shift to an experience-first model spans regions and industry sub-sectors with retailers, CPG/FMCG companies and branded retailers very much aligned.

Section 5 examines what a "customer-focused" model means in practice.

3 *Econsultancy, The Next Revolution in Search, 2017 (N=1,987 U.S. consumers with smartphones, 18+)*

Figure 4. The shift to a CX-driven model seen as fundamental to growth (by company type)

"Our success as an ecommerce business depends on our ability to create compelling customer experiences." ("Agree")



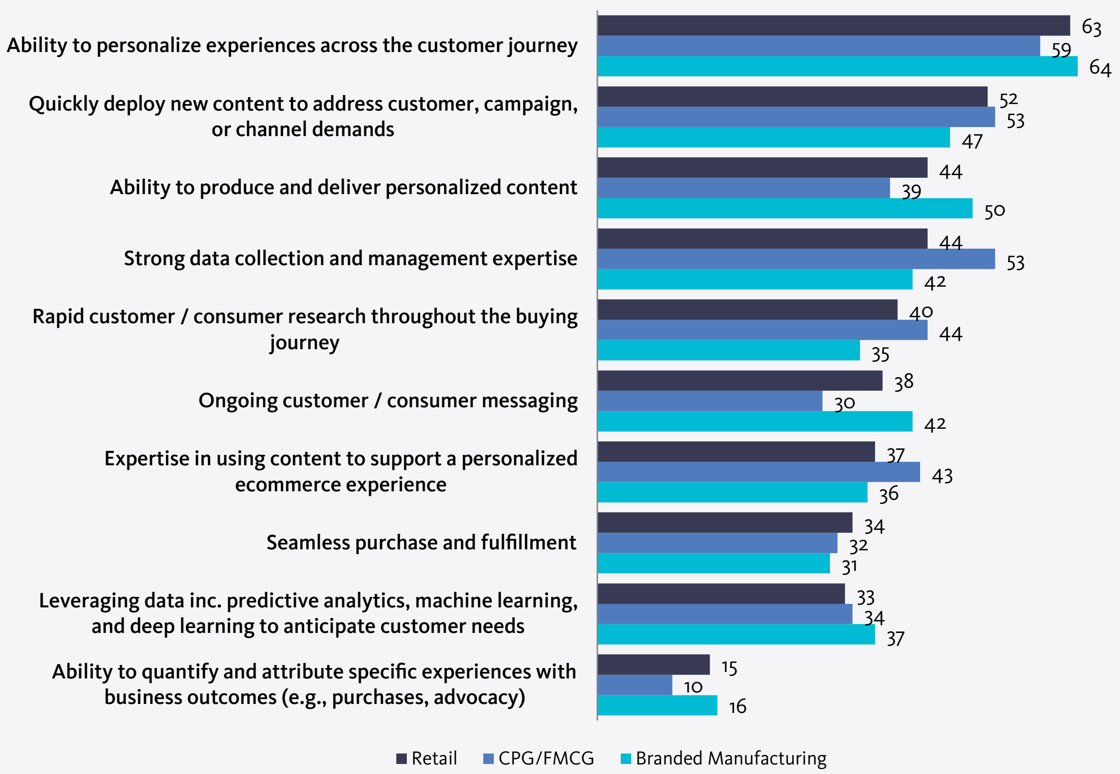
N=1,084

5 The New Model for Growth: Experience + Commerce

The move to a customer-experience based model means adding to and improving a wide set of capabilities. *Figure 5* ranks many of these attributes and the picture that emerges is of organizations that can quickly understand their consumers' needs, how they are changing and are able to respond to them with personalized, relevant insight and content.

Figure 5. The capabilities that support growth moving forward (by company type)

"Moving forward, what are the attributes necessary for your ecommerce organization to ensure growth?" (Indexed to 100)



N=1,121

5.1 Informed, nimble and personal

Looking at the capabilities that rise to the top of the index, three themes emerge; understanding, agility and personalization.

Some aspects of a great customer experience are universal, such as mobile access and ease of use. But as consumers' expectations tend to be set by the largest players, these elements are fundamental, and in most sectors, won't differentiate an experience.

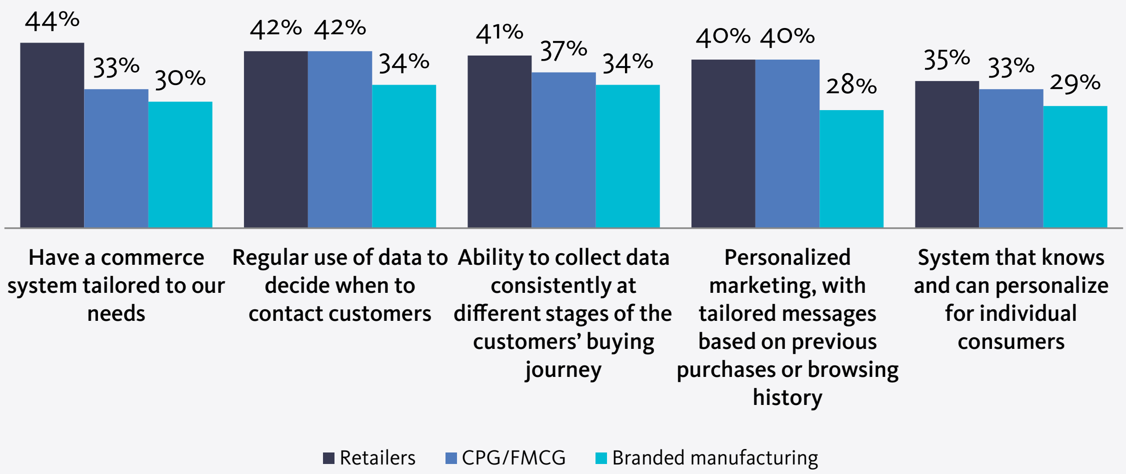
To move up the value scale requires data at the individual and audience level, insight into its meaning and ultimately understanding how to take action and deliver value. These are *implicit* in all of the capabilities in the top three positions (personalizing CX, rapid content development and personalization of content), and *explicit* in the need for expertise in data management.

Modern commerce companies also want to be more nimble; the ability not just to learn, but to take action at the speed of market changes and individual customer needs. Today, only 39% of organizations say that their ability to adapt to changing market conditions is sufficient for growing their business quickly. Further, only 37% are currently able to collect data consistently across the different stages of the customer journey.

While a number of organizational and process factors contribute to a business' ability to act quickly, technology is the dominant variable. Customer insight and market knowledge can only come to bear at the speed allowed by intertwined systems for data collection, personalization and merchandising.

Figure 6. State of commerce and CX-related capabilities (by company type)

"Thinking about its approach to customer experience, which of the following describe your organization?" ("Describes my organziation today")



N=1,110

Even among retailers, only 44% report that they have a commerce system that's tailored to their needs today, and that figure drops significantly for CPG/FMCG (33%) and branded manufacturers (30%).

The third key element is personalization, of products, the content that supports them and ultimately the whole experience.

This ability to personalize across the customer journey is top ranked across all regions and industry types, but most respondent organization are stymied; only one-third say that they have a commerce system that can recognize and personalize for individual consumers.

Even among retailers, only 44% report that they have a commerce system that's tailored to their needs today, and that figure drops significantly for CPG/FMCG (33%) and branded manufacturers (30%).

5.2 Competition and opportunity with macro players

The shift to a customer-focused business is inherently a shift in priority from acquisition to retention as measured in return visits, purchase value and ultimately customer lifetime value.

Today, acquisition rules strategy and resource allocation. The first priority for marketing is to build a budget around attracting new customers, often at the expense of investments into the customer experience. The traditional tactics of rapid acquisition, such as new customer discounts, are not always in alignment with retaining customers for the long run. Looking ahead however, respondents see this emphasis changing.

Asked to rank their organization's priorities across the customer journey, respondents across the sectors believe that retention is gaining importance. In retail and branded manufacturing, they see retention becoming the top priority, and even in CPG/FMCG it rises to the second position from fourth today.

This signifies a profound shift in outlook and investment but the thinking is simple; although acquisition remains a high priority, it can't be at the expense of the experience.

Figure 7. Shifting priorities – today vs. 3 year projected (by company type)

"Thinking about [today/3 year horizon], how does your organization prioritize the different stages of the customer journey in terms of investment, technology and strategic emphasis?"

Today's priorities

	Global	Retail	CPG/FMCG	Branded manufacturing	Average
Acquisition	1	1	1	1	1.00
Purchase	2	3	3	2	2.50
Retention	3	2	4	3	3.00
Consideration	4	4	2	4	3.50

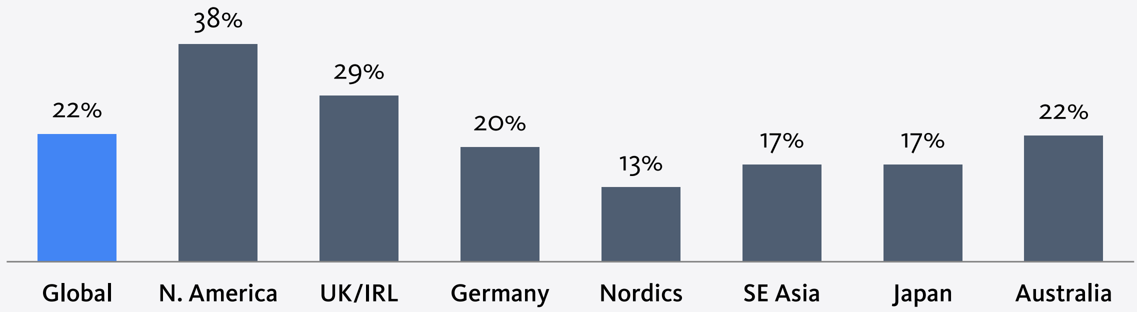
3 year projected priorities

	Global	Retail	CPG/FMCG	Branded manufacturing	Average	+ / -
Retention	1	1	2	1	1.25	+1.75
Acquisition	2	2	1	2	1.75	-.75
Purchase	3	3	4	3	3.25	-.75
Consideration	4	4	3	4	3.75	-.25

N=1,095

Figure 8. Commerce executives see CX as a factor they can control (by region)

"Customer experience is the element over which we have the greatest control, in contrast to pricing, product choice and market factors." (Agree)



N=1,084

5.3 Control over the lever for growth

Today, Amazon accounts for nearly half of all online commerce in the United States and one-third in the UK. In China, Alibaba enjoys nearly a 60% market share. Three players (Amazon, Otto and Zalando) represent 45% of ecommerce sales in Germany. Similar statistics describe most of the regions examined in this report.[4]

Penetration of these players is growing steadily, but it isn't uniform. For example, in some product verticals in the U.S., including skin care, batteries and home improvement tools, Amazon owned more than 90% market share in Q1 2018.[5]

The success of these leviathans doesn't necessarily prevent other players from thriving, but it does define the context in which all retailers and manufacturers are competing.

For three in four respondent organizations globally, a compelling reason to compete on customer experience is that's it's the rare variable they can control.

4 Econsultancy, Internet Stats Compendium: Ecommerce, December, 2018

5 Jumpshot, State of the Amazon Era Report, May, 2018

For three in four respondent organizations globally, a compelling reason to compete on customer experience is that's it's the rare variable they can control.

Figure 9. Where commerce players have the advantage over Amazon (by company type)

"Thinking about competition with [Amazon, Alibaba, Otto, etc.] where do you see your organization's advantages and disadvantages?"

	Retailers		CPG/FMCG		Branded Manufacturing	
Advantage:	Amazon et al.	My Company	Amazon et al.	My Company	Amazon et al.	My Company
Product knowledge	45%	**56%**	46%	**54%**	33%	**67%**
Product related content	45%	**55%**	**54%**	46%	**54%**	46%
Pricing	**54%**	46%	49%	**51%**	45%	**55%**
Product choice	**54%**	46%	**54%**	46%	48%	**52%**
Fulfillment / shipping	**58%**	42%	**58%**	42%	**57%**	43%
Online user experience	**61%**	39%	**66%**	34%	**58%**	42%
Technology	**66%**	34%	**58%**	42%	**58%**	42%

N=996

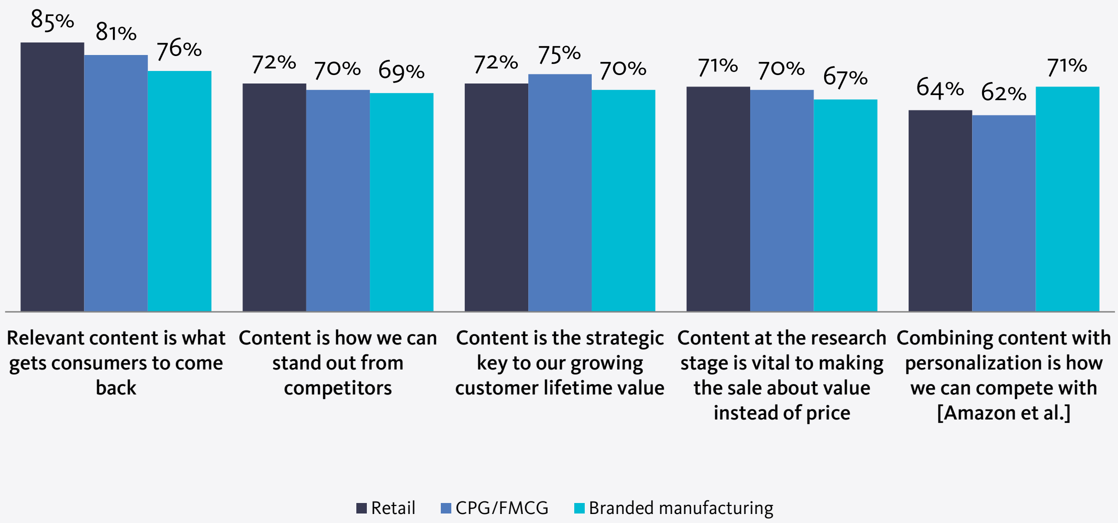
The scale of the macro-platforms effectively cordons off some of the traditional battlegrounds for competition, as we see in *Figure 9*. Price, product choice and ease of fulfillment can't be a differentiator for most companies, leading many to prioritize their online customer experience.

Although there's some variation between the sectors, the central theme of *Figure 9* is that specificity and product expertise are strengths in comparison with the largest ecommerce platforms.

These advantages are the underpinning of how companies with a customer experience focus can succeed; by deeply understanding their customers, markets and products, and using this knowledge to develop experiences and content that are unique, valuable and defensible.

Figure 10. Personalized content as competitive advantage (by company type)

"Thinking about its approach to customer experience, which of the following describe your organization?" ("Describes my organziation today")



N=1,068

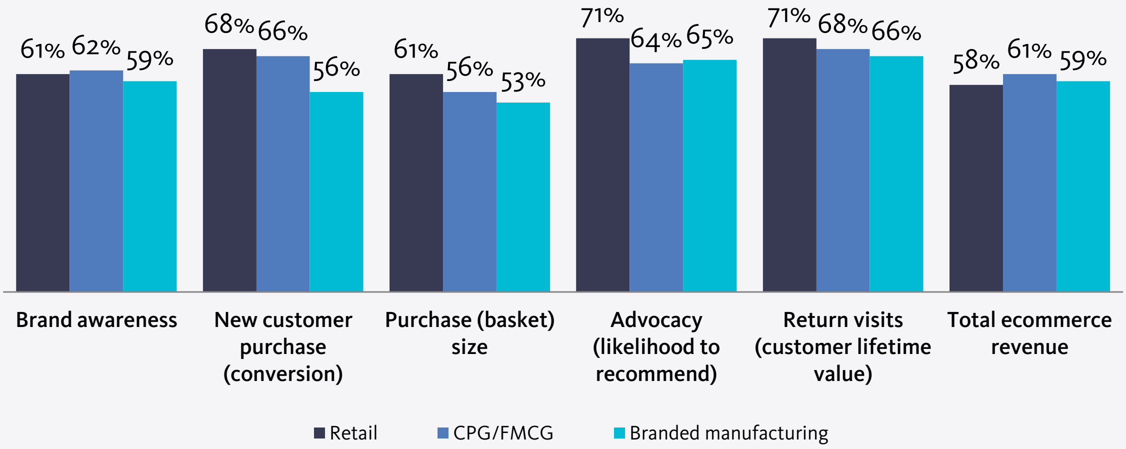
Across the board, respondents see content as a key to their customer experience evolution and success. A large majority see it as a way to support retention, stand out from competitors and a way to make the customer conversation about their value instead of price.

However, many companies can't deploy content to its full potential as identified in Section 4.2. While roughly two-thirds of all commerce companies say that personalized content is how they can compete with the elite commerce platforms, roughly half say that they don't yet have the infrastructure/ capability to deliver and manage content at scale.

While two-thirds of all commerce companies say that personalized content is how they can compete with the elite commerce platforms, roughly half say that they don't yet have the infrastructure/ capability to deliver and manage content at scale.

Figure 11. CX effects across the buyer's journey (by company type)

"To what extent, if any, does your organization believe that customer experience affects the following business outcomes?" ("Strong effect" and "Significant effect")



N=1,092

To that end, the primary challenge for many organizations will be implementing the necessary technology and process to personalize how, when and why specific content is delivered to the individual in marketing and merchandising.

The role of content is an important reason that most respondents across sectors believe that customer experience has a role in every part of the customer journey. (*Figure 11*) Three-in-five marketers say that CX has a significant/strong effect, even at the top of the funnel where paid media dominates. This speaks to the social nature of shopping; advocacy is powerfully affected by experience and in turn has a powerful effect on brand awareness.

Three-in-five marketers say that CX has a significant/strong effect, even at the top of the funnel where paid media dominates.

6 Lessons: Defining the Path Forward

Where do organizations go from here? While many organizations clearly share a vision of competition built on exceptional experience, there are significant gaps between where most companies are today and their near term goals.

To distill recommendations from the research, it's helpful to compare different segments of respondents. For example, there are consistent and important differences between those *leading* companies whose business models are well adapted to deal with market changes (13% of the total) and the *mainstream* companies (87%) who are under pressure to change their approach.

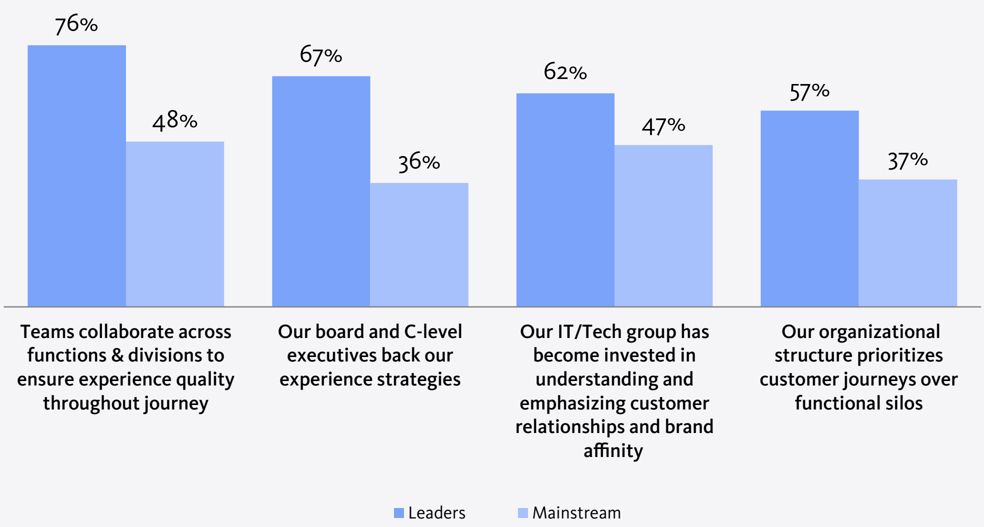
6.1 Defining an experience orientation

Reorienting around customer experience is a significant move and one that necessarily crosses the boundaries between teams and divisions. It's not enough for marketing to define its strategy as customer-first. There are substantive changes that need to occur in organizational design, process and technology.

In *Figure 12*, the contrast between leaders and the mainstream highlight some of these changes and the distance many commerce companies have to travel.

Figure 12. Organizational support for customer experience (leaders vs. mainstream)

Thinking about your organizational structure and collaboration between teams, to what extent do the following describe your company? ("Describes us today")



N=1,054

Cross-functional cooperation is essential to a consistent, responsive customer experience because it encompasses more than marketing, merchandising or product alone. Most leaders (76%) have achieved effective collaboration, compared to fewer than half of mainstream respondents.

An encouraging development in collaboration is the **engagement of IT/Tech** divisions with the role of customer relationships in long term growth. As the role of technology in marketing and merchandising has made both significant centers of innovation and technical demand, progressive IT/Tech groups have become partners in evolution. While this only describes around half of mainstream organizations, it's certain that the numbers are far higher today than they were even a few years ago.

Perhaps most concerning is the gap in **executive support**, where leaders are nearly twice as likely to report strong backing. Without full-throated commitment from the C-suite, efforts can be under-funded, siloed within one division or cut midstream in response to market conditions. Improving customer retention and lifetime value takes experimentation and time. Senior management must be on board to see the process through.

A majority of leaders say that they take a customer journey focused approach, but that falls to less than 40% of the mainstream.

Finally, companies have to **move beyond functional silos** when planning for and dealing with the customer. A majority of leaders say that they take a customer journey focused approach, but that falls to less than 40% of the mainstream.

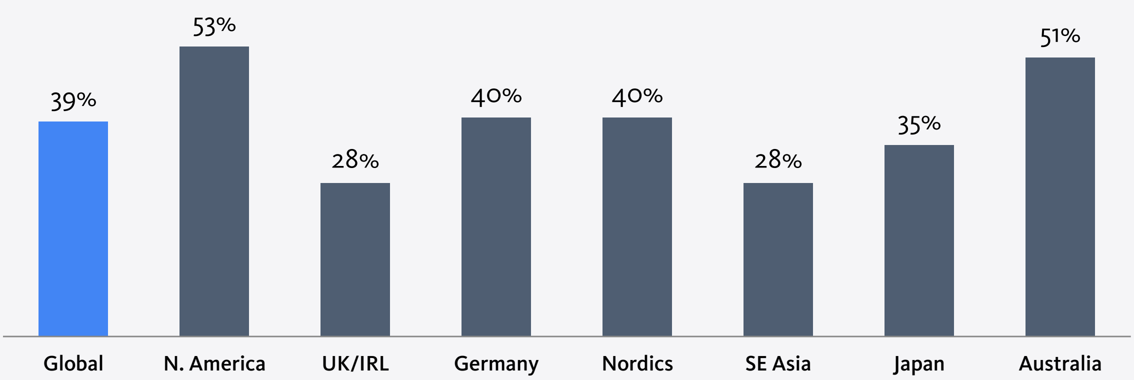
A strong first step is to create a team – ideally cross-functional – that is tasked with understanding and improving the customer experience across the life cycle.

There is a significant variation among geographies; while relatively common in North America and Australia, this approach is rare in SE Asia and, somewhat surprisingly, in the UK/IRL.

Looked at another way, having a team that looks at lifecycle is a key differentiator for companies with leading-edge business models; they are 59% more likely to have such teams than the mainstream of the sample (62% vs. 39%).

Figure 13. Functional silos are still the norm for most organizations (by region)

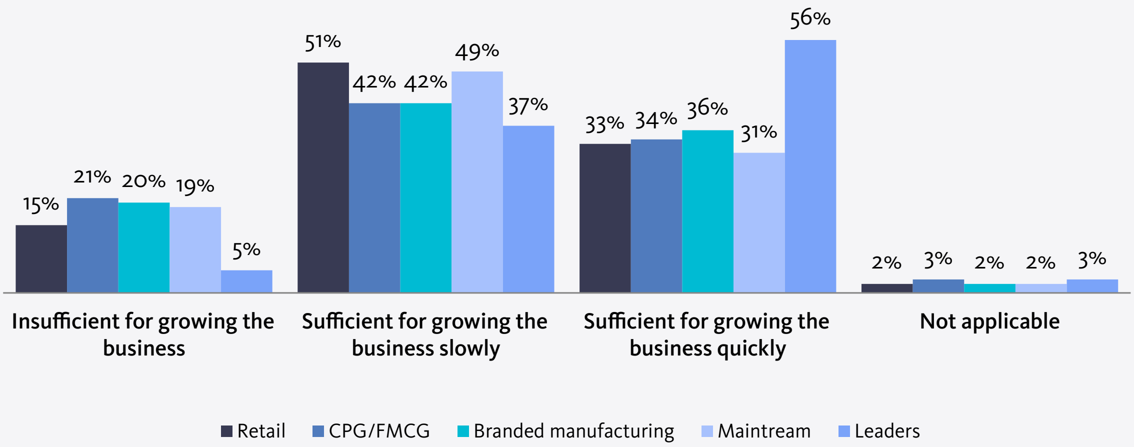
"We have a team of people dedicated to evaluating and improving experiences across the entire life cycle, from acquisition through loyalty."



N=1,062

Figure 14. The personalization curve (by company type)

Please rate the current state of the following capabilities at your marketing organization: "Personalizing the experience for the individual"



N=1,122

6.2 Competition and opportunity with macro players

Personalization is at the heart of the CX most companies want to build (see Section 5.1), but few companies (roughly one-third across sectors) say that their current personalization capability is sufficient for growing the business quickly. Nearly 20% report that it's insufficient for growth.

Building a personalization capability is hard work and it requires a multi-pronged approach that includes investment in data, technology and content as well as the development of the analytical resources to put these tools to work.

It's easy to confuse personalization with technology, but a good personalization strategy is really about the human element. With the right implementation, technology will allow a merchandiser or marketer to do anything within the confines of their data, so the limitation is in how well the customer is understood and what brings them value.

Strong personalization isn't hitting the customer with targeted marketing at every possible touchpoint. In fact, the best personalization lets the brand take a step back and only come forward when the time is right and the offer makes sense.

Roughly one-third across sectors say that their current personalization capability is sufficient for growing the business quickly.

6.3 Competition and opportunity with macro players

Without data the modern commerce business is blind. But without a high level of trust in data, it is paralyzed. Across global respondents, only 31% report a high level of trust in their marketing data, roughly half the rate for leaders.

Trust in data is particularly low in JPAC, with Japan, SE Asia and Australia averaging only 20% “high trust” collectively.

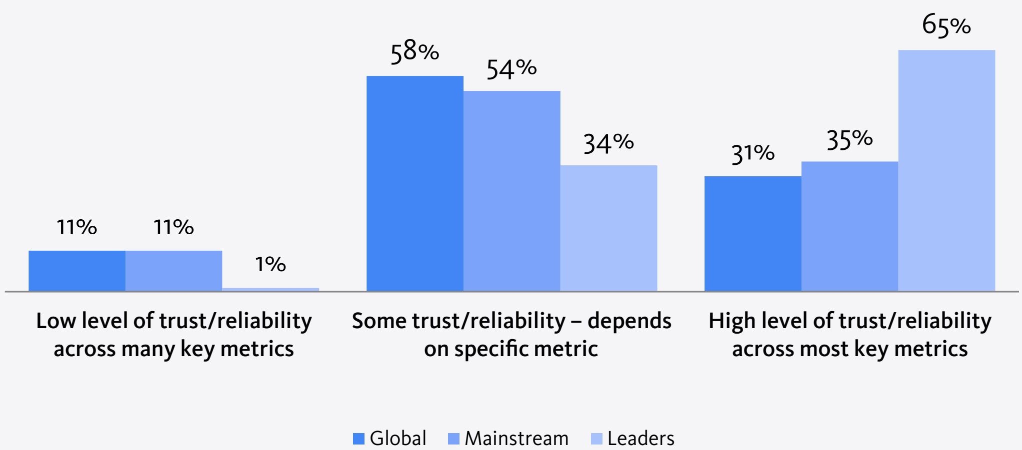
Encouragingly, many of the reasons for low trust level can be solved by more and better training; marketers and merchandisers are more likely to trust metrics they understand. Similarly education can help them identify what’s most important and deal better with the complexity and volume of data.

More deep seated issues require technological investment, whether to address poor translation of data between systems, high errors rates or simply aging tech.

Relatively uniform on the surface, the reasons cited for a lack of organizational trust vary considerably by region. For example, a lack of analyst resources scores highest in North America where there’s an overall advantage in technology, while Germany’s manufacturing-heavy economy is a cycle behind some of the newer technologies for marketing and merchandising.

Figure 15. Trust in marketing data (leaders vs. mainstream)

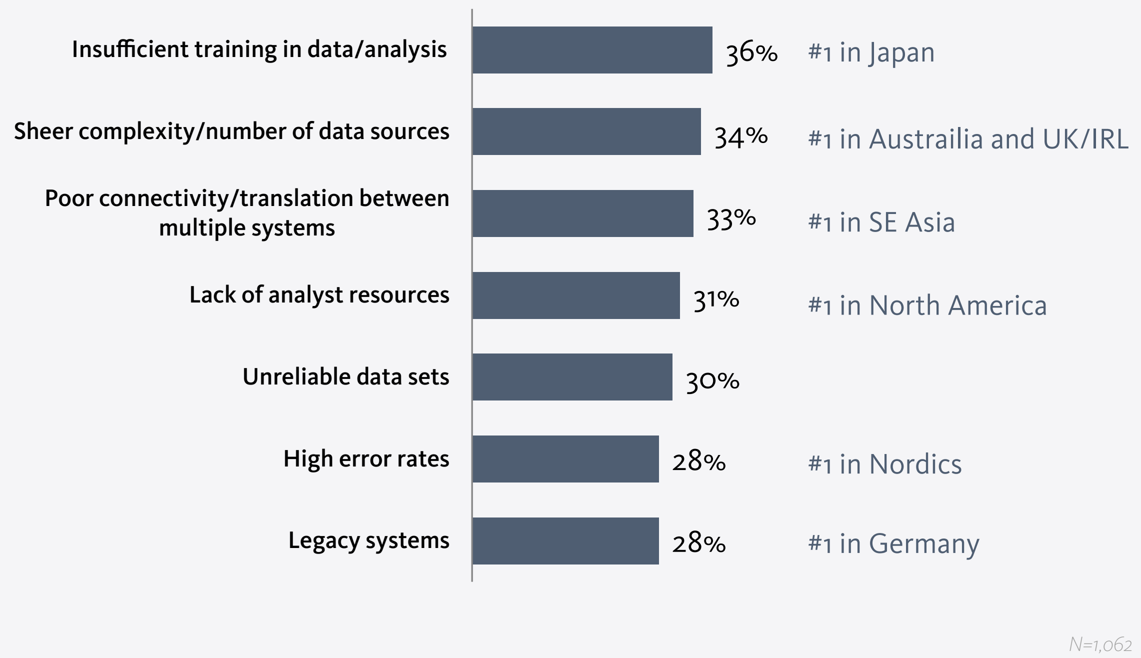
What is the level of trust your organization has in the data you have available to direct and optimize marketing?



N=1,062

Figure 16. Why trust in data is lacking (regional highlights)

"What factors contribute to a lack of trust/reliability in the data used by marketing?"



6.4 Competition and opportunity with macro players

The issues in data analysis cited sin the last section highlight the importance for organizations to take advantage of their existing human resource. In a recent Econsultancy study, over 80% of marketing executives said that their organization's growth depended on "rapidly developing our skill and capabilities to meet changing demands."[6]

"Changing demands" are the hallmark of a customer-focused approach to growth. When a company commits to serving the customer, they place a bet that their marketing, merchandising and product teams (among others) can keep pace with behavioral change.

The solution is often a hybrid approach, involving some mix of hiring, up-skilling, outsourcing and automation but of these, training is the most accessible, least expensive and has the greatest return on investment.

Unfortunately, most companies have yet to connect their moves in technology integration and digital transformation with an emphasis on learning & development; only 29% of marketers report receiving learning that is "matched to how the market/business is evolving."[7]

6 *Econsultancy, How Marketers Learn, 2019*

7 *Econsultancy, How Marketers Learn, 2019*

Companies see themselves as being somewhat more proactive than marketers however. Retailers lead the way; nearly half say they provide training around executing their part of the customer experience. However, that number falls off when the question turns to the investment in training in the technologies to develop new and better experience.

An important, but often overlooked direction for internal education is promoting a greater understanding of the financial and business goals of the wider organization beyond marketing and merchandising. While marketers overwhelmingly agree that this knowledge is vital (96%), fewer than half of companies actually provide such training.[8]

In contrast, leading companies are 50% more likely to provide training in customer experience, technology optimization and wider business knowledge.

Leading companies are 50% more likely to provide training in customer experience, technology optimization and wider business knowledge.

Training is one way that businesses can enlist employees into the philosophy and execution of CX, but they also need to be guided and supported with processes that reinforce customer-centric thinking.

8 Econsultancy, How Marketers Learn, 2019

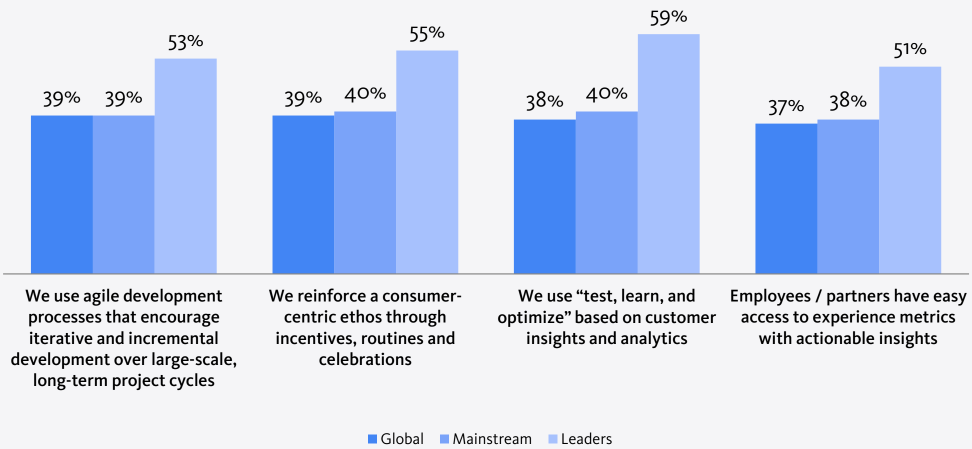
Figure 17. Training is a missed opportunity (by company type)

Thinking about your organizational structure and collaboration between teams, to what extent do the following describe your company? ("Describes us today")

N=1,062

Figure 18. Process best practices deployed (leaders vs. mainstream)

"Thinking about how your organization supports data-driven thinking and emphasizes customer experience, to what extent do the following describe your company?" ("Describes us today")



N=1,062

Figure 18 highlights the difference between mainstream and leading companies for a number of process approaches;

Agile development has moved from technology groups into the wider enterprise, though in the process the term has lost some of its specific meaning. For many teams, it's simply taking an iterative approach to solving business problems and exploring new opportunities.

For companies engaged in any new direction, such as a focus on differentiation with CX, agile development makes sense because the short sprints of problem-solving and evaluation can quickly identify promise or failure.

Those that take a traditional project management and development approach that requires a fully baked plan in place may find themselves developing a solution to a market condition that's evolved during the planning process.

In parallel with agile development, **test, learn and optimize** gives the business a way of approaching any new demand though the scientific method. Companies that develop a skill in creating experiments that are simultaneously quick to field with low resource demands and a high return of information have an enormous advantage over their competitors. Leaders are 55% more likely to take advantage of test and learn than the global average or mainstream.

The importance of customer experience is clear throughout this study, but so is the gap that many organizations have to cross. Fewer than 40% of all companies say that today, their employees and/or partners have easy access to actionable experience metrics.

Lowering the barriers between employees and datasets is a fundamental step that organizations must take. **Socializing metrics, lessons and insights** have multiple effects, starting with grounding employee decision making in data. It can also encourage cross-functional collaboration and reduce analyst time spend on reporting.

Defining a **customer-centric ethos** is unique to an organization, but whatever nuance a company promotes, the cultural support for that idea is integral to its success. Inside the workings of famously customer-centric companies like Zappos, L'Oreal and Hyundai are multiple methods for how to use incentives, routine and cultural events to promote their philosophy. Unless everyone -- from front-line employees to executive managers -- buys into the idea of CX-first, internal barriers can slow or stall initiatives in their early phases.

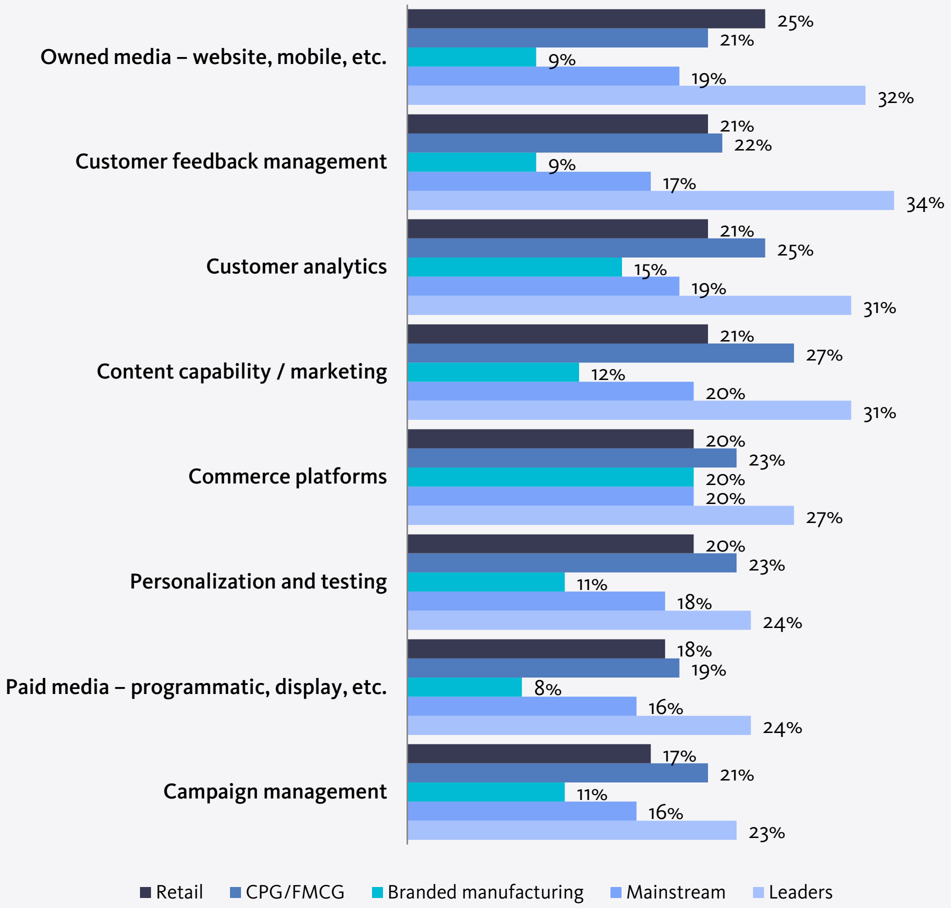
6.5 Invest in tech (+ people)

Figure 19 attempts to capture priority by identifying the share of organizations that will be increasing their 2019 line item by 10% or more. Of course this may simply signify a low starting point in some areas, so it does not indicate budget volume, simply direction.

Retailers are increasing budget consistently across the tools of customer experience. Roughly one-in-five companies are aggressively investing in customer feedback, customer analytics, personalization and commerce platforms.

Figure 19. Sector investment in marketing/merchandising media and technology (by company type)

"How is your budget changing, if at all, in the following areas?" (Increase of 10% or more)(Indexed to 100)



N=1,050

Across the board, only about one-third of respondents have a high degree of confidence in their organization’s approach to new technology planning, investment and integration.

An equal emphasis on content is highlighted by both the top ranking of “owned media” and “content capability/marketing” itself.

Many **CPG/FMCG** companies are relatively new to ecommerce and/or the emphasis on a direct end consumer relationship, so it’s not surprising to see comparatively sharp increases in customer experience and commerce technologies. They are also prioritizing content, nearly matching leaders’ share of rapidly increasing investment.

Branded manufacturing encompasses a variety of direct and indirect customer approaches, perhaps accounting for generally less aggressive investment. Of note, a rise in direct ecommerce in this group is indicated by their planned increase in commerce platforms, which matches their peers.

Purchasing technology is only one step in the journey to integrating it into the productive routines of a business. The underutilization of marketing and merchandising technologies is a natural side effect of rapid innovation, but it shouldn’t be inevitable. One mark of leaders is that they are consistently ahead of the mainstream in having a more holistic approach to technology integration.

Across the board, only about one-third of respondents have a high degree of confidence in their organization’s approach to new technology planning, investment and integration.

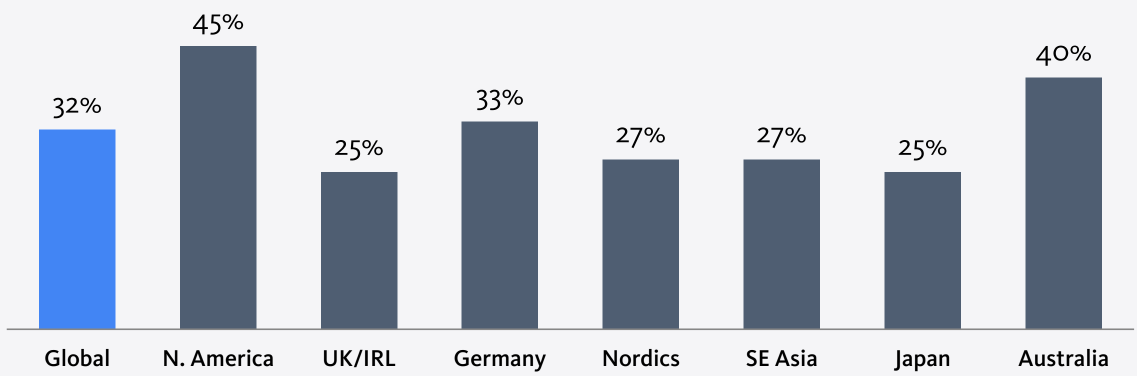
Figure 20. Lack of confidence in organizational approach to tech (leaders vs. mainstream)

Thinking about how your organization plans and executes new technologies for marketing, how confident are you in the following? ("Highly confident")

N=1,054

Figure 21. Many doubt that technology will be sufficiently staffed (by region)

"The organization will put the necessary people in place to support new technologies" ("Highly confident")



N=1,054

Globally, nearly one-third of respondents are highly confident that their organizations will include the necessary new personnel as part of their technology implementation plans.

Whether a company gains a competitive advantage from new marketing technology is often a question of how their new tools are supported.

A successful process should begin with collaboration between the teams that will be using and managing the technology. **Co-creating a roadmap** of linked goals and tech helps both sides. It informs the IT/Tech group about business strategy and how marketing will use new tools. At the same time, marketing gains a deeper understanding of the interplay between their systems and the larger technology ecosystem.

Perhaps most importantly, working together from the outset helps to bridge the traditional divide between these groups and can enroll IT/Tech leadership as a partner in customer experience strategy and capability development.

Many companies find it easier to devote budget to the fixed expenses of new technology (which can be capitalized in some cases) than to the increased operating costs associated with adding headcount. However, expanding marketing's toolkit without **adding or reassigning headcount** risks that the investment will be not be maximized.

Similarly, new technologies should mean **new processes** are put in place to take advantage of them. Yet only 34% of respondents globally are highly confident that their organization will marry the two.

Globally, nearly one-third of respondents are highly confident that their organizations will include the necessary new personnel as part of their technology implementation plans, but there's significant variation by region. For many regions, including UK/IRL, SE Asia, the Nordics and Japan, only one-in-four executives expect their companies to add the staff when onboarding new tech.

6.6 Competition and opportunity with macro players

Most commerce companies today deal with an omnichannel ecosystem. Except in select sectors and regions, offline sales still dwarf online channels, even if growth and attention are disproportionate in digital.

Looking ahead at their five year expectations, respondent predictably see the highest growth rate in the areas that are smallest today (for most companies and in most regions) – IoT and mobile purchasing.

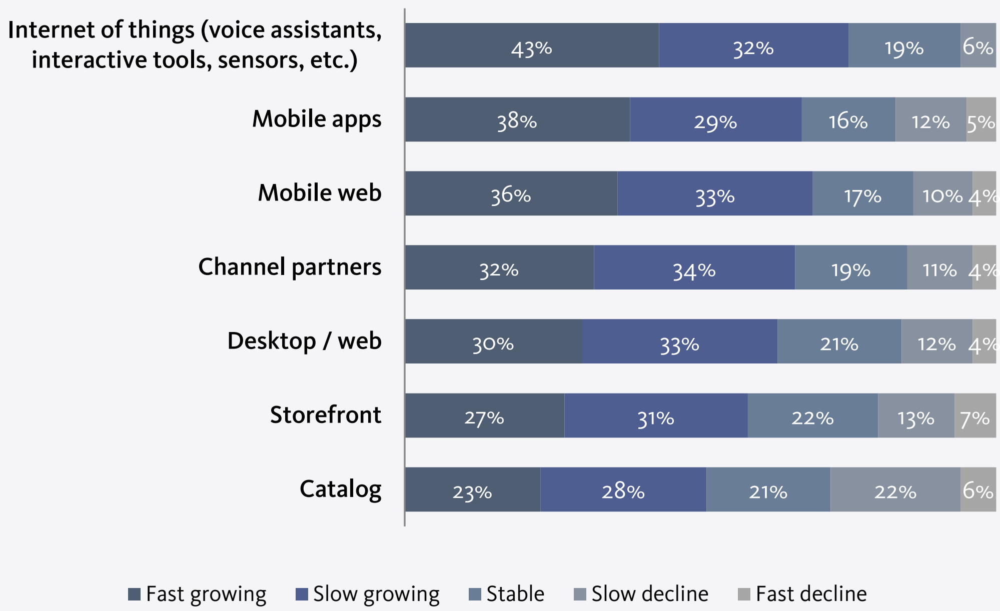
Seen through the lens of customer experience, the importance of these channels should be examined for both their direct revenue potential and their specific role in the customer journey for different segments.

In North America for example, mobile web visits are often more likely to influence purchases that carry them directly. Likewise, while respondents in SE Asia foresee a large drop in the role of the desktop, they will need to explore whether their remaining desktop users are disproportionately high value, corporate buyers.

Looking at five year expectations, respondents see the highest growth rate in IoT and mobile purchasing.

Figure 22. Growth expectations for commerce revenue channels (global average)

"How will your revenue sources for commerce revenue change over the next 5 years?"



N=1,049

6.7 Win the internal debate for commerce + experience

As explored in Section 5.1, support for the experience revolution hasn't permeated every global boardroom. For some marketers and merchandisers, the first obstacle to overcome is internal. The challenge is to build a case using research, experimentation and competitive observation.

Figure 23 compares how four distinct segments view the impact of customer experience across the range of business outcomes, extracting only the share of respondents who see CX as having a "strong effect" on each goal.

For a reinforcing view, *Figure 23* also includes a comparison based on respondents' business performance in 2018, pitting those whose divisions "significantly exceeded their top goal" (out-performed) against those that failed to meet expectations (under-performed).

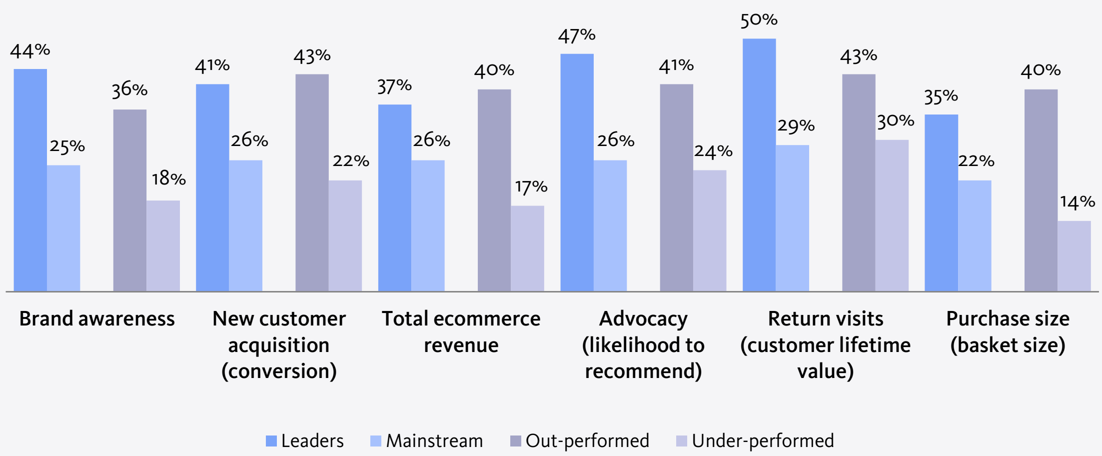
In summary, companies that see their current business model as robust and fit for purpose are 44% to 81% more likely to view CX as having a strong effect on key business outcomes than the mainstream.

As seen throughout this section, leaders are further along in their customer experience evolution, so their knowledge of its impact gives weight to this evaluation. Most of these companies aren't in the position of having to make the case for a CX shift, but rather to argue for further investment and technology as seen in Section 6.5.

Respondents at under-performers report that their organizations are far from industry norms, with little confidence in the impact of customer experience. However, their peers at outperforming companies are relatively consistent with leaders' evaluations, creating an outsized gap in expectations: outperformers are between 43% and 186% more likely to see CX as having a strong impact on key business outcomes.

Figure 23. The most successful companies believe in CX (leaders vs. mainstream)

"To what extent does your organization believe that customer experience affects the following business outcomes?" ("Strong effect")



N=1,122

7 Key Takeaways

#1. You are competing with Amazon, even if you're not competing with Amazon.

Commerce today is defined by the largest ecommerce players, even for companies who don't directly compete with them. CPGs and branded manufacturers, many of whom don't sell directly, are under no less pressure to evolve than retailers. The convenience and online customer experience offered by Amazon, Alibaba, et al. constantly raises consumer expectations and every type of company has to meet them.

There's a striking consistency to how marketers and merchandisers plan to grow and adapt, regardless of their region or company type. Eighty percent of global respondents say that their success depends on how well they can deliver a great customer experience.

#2. Great CX means true personalization. Most companies aren't there yet and many are moving slowly.

A majority of companies recognize that their strengths lie in depth of knowledge of markets, products and customers. They see content as the way to turn that knowledge into a business advantage.

But if content is the key, so is the infrastructure to create and deliver it.

Nearly half of all companies say it's difficult for them to adequately address the volume of content needed across personas and products. Worse still, despite the priority of personalization, less than 40% of commerce companies report that they have a system that can personalize for individual consumers.

The priority of personalization is clear, as is the need for investment. Only one-in-three companies report having a personalization capability that's sufficient for growing their business quickly.

Yet, resourcing hasn't adjusted to reflect the strategic priority of serving the customer as an individual; while over half of all respondent companies say that they're increasing investment in personalization and testing capabilities, only about one-in-five companies are making increases of over 10% from their 2018 baseline.

#3. The future will be won by those that invest in their long-term health.

Customer experience is a long-term play. Investing to build a customer's trust and reliance on your brand pays off in their second, third and subsequent visits. The shift to CX means a shift in priority from acquisition to retention, as predicted by a majority of respondents who say that retention will displace acquisition as their company's top priority within three years.

As customer retention grows in importance, so does the capability to understand individual needs and the data that describes them. Yet, only about a third of respondents are confident that their organization will implement the technologies necessary to achieve its strategic priorities.

The data in this report describes a spectrum of companies, arrayed by their ability to evolve to meet rapidly changing consumer needs. Companies which are further along in their evolution differ from the laggards in many respects, especially in the alignment of their investments, strategic vision and management commitment to customer experience.

8 Appendix – Respondent Demographics

Figure 24. Respondents by region/country

Region	Country	Response Count
North America	United States	388
	Canada	28
UK/IRL	United Kingdom	209
	Republic of Ireland	6
Nordics	Sweden	37
	Finland	14
	Norway	38
	Denmark	48
Germany	Germany	150
Asia	Hong Kong	73
	Singapore	65
Japan	Japan	130
Australia	Australia	90
		1,276

All surveys were delivered in regionalized English except in Japan. Translation available upon request.